DOCUMENT RESUME

ED 251 686	CE 040 321
TITLE	Hearings on Youth Incentive Employment Act. Hearings before the Subcommittee on Employment Opportunities of the Committee on Education and Labor, House of Representatives, Ninety-Eighth Congress, Second Session on H.R. 5017 and H.R. 5814 (Washington, DC, May 1, 3, and 22, 1984 and Chicago, Illinois, August 13, 1984).
INSTITUTION	Congress of the U.S., Washington, D.C. House Committee on Education and Labor.
PUB DATE	84
NOTE	436p.; Parts of this document may not reproduce well due to small type.
PUB TYPE	Legal/Legislative/Regulatory Materials (090) -- Viewpoints (120)
EDRS PRICE	MF01/PC18 Plus Postage.
DESCRIPTORS	*Disadvantaged Youth; *Federal Legislation; Hearings; *Incentives; *Part Time Employment; Postsecondary Education; *Seasonal Employment; *Student Employment; Unemployment; Youth Employment
IDENTIFIERS	Congress 98th

ABSTRACT

These are four congressional hearings on youth unemployment with particular reference to the Youth Incentive Employment Act, H.R. 5017, which would establish a program to provide part-time school year and full-time summer employment to economically disadvantaged youth pursuing further education or training. Another focus of the hearings was H.R. 5814, the Income and Jobs Act, which would complement other existing initiatives by providing jobs and promoting a sustainable recovery. Texts of both bills are provided. Testimony includes statements from representatives in Congress and individuals representing the League of United Latin American Citizens; New Horizons Project, Richmond, Virginia; Manpower Demonstration Research Corporation, New York; Chicago Urban League; Jobs for Youth, New York; Opportunities Industrialization Chapters; Rose Parks Group House, Washington, D.C.; Illinois United Auto Workers Union; Brandeis University; Ohio State University, Center for Human Resource Research; Interface; Vocational Foundation of New York; Center for Youth Services, Washington, D.C.; AFL-CIO; South Chicago Unemployed Action Center; National Youth Employment Coalition; Neighborhood Progress Administration, Baltimore, Maryland; Association of Workers Rights; Henry Street Settlement House, New York; Roosevelt Youth Project; and Center for Labor Market Studies, Northeastern University. Other contents are prepared statements, letters, and supplemental materials from individuals representing various other organizations and groups. (YLB)

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HEARINGS ON YOUTH INCENTIVE EMPLOYMENT ACT

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
EMPLOYMENT OPPORTUNITIES

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

H.R. 5017

TO ESTABLISH A PROGRAM TO PROVIDE PART-TIME SCHOOL YEAR AND FULL-TIME SUMMER EMPLOYMENT TO ECONOMICALLY DISADVANTAGED YOUTH WHO ARE PURSUING FURTHER EDUCATION OR TRAINING LEADING TO MEANINGFUL UNSUBSIDIZED EMPLOYMENT

AND

H.R. 5814

TO PROMOTE GENUINE AND SUSTAINABLE RECOVERY AND A FULL EMPLOYMENT SOCIETY BY EXTENDING AND FULLY IMPLEMENTING THE EMPLOYMENT ACT OF 1946 AND THE FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1978

HEARINGS HELD IN WASHINGTON, DC, ON
MAY 1, 3, AND 22; CHICAGO, IL, ON AUGUST 13, 1984

Printed for the use of the Committee on Education and Labor

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HEARINGS ON YOUTH INCENTIVE EMPLOYMENT ACT

TUESDAY, MAY 1, 1984

House of Representatives,
Committee on Education and Labor,
Subcommittee on Employment Opportunities,
Washington, DC.

The subcommittee met, pursuant to call, at 9:30 a.m., in room 2257, Rayburn House Office Building, Hon. Augustus F. Hawkins (chairman of the subcommittee) presiding.

Members present: Representatives Hawkins, Corrada, Martinez, Williams, Owens, Hayes, and Jeffords.

Staff present: Susan Grayson McGuire, staff director; Bradley C. Jefferies, legislative assistant; Teresita P. Schroeder, administrative assistant; and Beth Buehlmann, Republican senior legislative associate.

Mr. **Hawkins**. The Subcommittee on Employment Opportunities is called to order. The meeting this morning is on the subject of youth unemployment, and in order to accommodate our witnesses, the Chair will forego a statement at this point. Without objection, it will be entered in the record, however.

[Opening statement of Chairman Hawkins follows:]

Opening Statement of Hon. Augustus F. Hawkins, a Representative in Congress From the State of California and Chairman, Subcommittee on Employment Opportunities

Unemployment is one of the most serious issues affecting our nation today. The billions of dollars of lost productivity and the millions of damaged lives threaten the economic and moral fabric of our country. While prolonged involuntary unemployment suffered by any group of Americans is cause for concern; unemployment among the youth of our nation is particularly distressing. The steady, incessant rise of youth joblessness over the past 30 years is nothing less than a national tragedy.

In 1954 the overall youth unemployment rate was 12.6%. By March of 1984, 1,608,000 or 19.9% of the teenage labor force was unemployed. In other words, one out of very five teenagers who actively searched for employment was unable to find it. Almost one out of every two black teenagers who searched for employment was unsuccessful. Not only was the overall teenage jobless rate more than twice the rate of the total civilian labor force, but also, they account for over 18% of the unemployed. Such a continuing high rate of unemployment by a single group is, indeed, a national tragedy.

While it is clear that the latest recession has made it difficult for youth in the private sector, the existing employment programs in the public sector are also unable to cope with this problem. The Job Training Partnership Act program severely restricts the use of funds for work experience, which is essential to youth for success in the labor market. Federally funded job creation initiatives have been sharply reduced or eliminated during the past three years, and funds for training have also been reduced under the Reagan administration. Clearly, part of the problem of youth unemployment is our lack of tools to reduce it.

Recently, much has been stated about the need for a subminimum wage for youth. However, there are good reasons why this approach is not the panacea that its proponents think. Unlike the extensively researched and evaluated concept that we are about to discuss, no documented evidence exists which supports the contentions of the submission wage proponents. At this point, talk of how much it would reduce youth unemployment is nothing more than speculation. Moreover, even if a subminimum wage were instituted, because of a well documented lack of entry level jobs for youth, youth would still be unemployed. This crucial point is consistently overlooked by subminimum wage proponents. The youth unemployment problem did not develop overnight: it is a result of inadequacies in a variety of different areas over the past 30 years. Therefore, a viable solution to this multi-faceted problem cannot be a quick-fix scheme; it must be an extensively evaluated comprehensive approach to a complex problem.

Researchers have identified a variety of factors which have affected youth unemployment. Deterioration of the national economy, the gradual structural transition of the economy, employment discrimination, and the competition for entry level jobs as more women enter the labor force have all been cited. While all of the above have some degree of impact on youth joblessness, much evidence indicates that a fifth factor, inadequate job skills, educational and work experience may also be an important element in the youth unemployment problem. In the words of one company spokesman: "Yes I have vacancies, and sometimes I give a kid who looks mature a break. But frankly, I just can't take the risk. I can't find enough kids who can read or write . . . We can train people, but we can't teach reading or writing."

H.R. 5017, the Youth Incentive Employment Act, is a legislative proposal designed to combat youth unemployment that relies on the all important link between success in school and success in the workplace. We firmly believe that the extensively tested concept of providing employment to youth who agree to work for a high school diploma would encourage the completion of school, provide training opportunities and help develop a responsible, productive attitude towards work in our nation's youth. During today's and subsequent hearings on the bill we hope to fully discuss the serious problem confronting the youth of America, and we hope to successfully fashion a cost effective, efficient, practical response to this most tragic and serious problem.

It is my intention to move this legislation out of Committee this session to provide an effective alternative to the do nothing approach which has characterized this administration's employment policies.

[Opening statement of Congressman James M. Jeffords follows:]

OPENING STATEMENT OF HON. JAMES M. JEFFORDS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VERMONT

I welcome this time to thank the Chairman, Mr. Hawkins for scheduling these two days of hearings on the issue of youth unemployment. This subcommittee has always shown a great concern for the employment and training problems faced by disadvantaged youth, and it is an issue of particular interest to me. We cannot deny the overriding discouraging statistics on youth unemployment. These numbers and facts reflect a chronic and pervasive problem that has not abated. Until we address the challenges of this problem head on, its effects are long-lasting and detrimental not only to the youth involved but to our nation as a whole.

We know, for example, that although being unemployed as a teenager does not by itself foster later unemployment, the effect is felt instead in lower future wages, and this effect may be substantial. It has been shown that the likelihood is four times as great that students from poverty families will be two or more years behind in school. Further, the effects of dropping out of school have significant impact as well. Among out-of-school teenagers, persons with less than 12 years of school account for 58 per cent of the unemployed. The unemployment rates among high school dropouts is over one and one-half times as great as among high school graduates.

Youth are a disproportionate share of the unemployed. In March 16–19 year olds were 7.1 percent of the civilian labor force, but 18.3 per cent of the unemployed. The unemployment rate of teenagers was 19.9 per cent as against 6.8 per cent for adult men and 6.9 per cent for adult women in the same month. Another way to express this comparison is that the unemployment rate of young workers is 193 per cent higher than the rate of adult men and 188 per cent higher than for adult women. These statistics are borne out in poverty areas as well, where the teenage unemployment rate for the fourth quarter of 1983 was 28.7 per cent compared to 11.8 per cent for adult males and 10.6 per cent for adult females.

These hearings provide a time to review what has been done in youth training and employment, to explore the possibilities that exist under the current legislative authority of JTPA, and to determine the necessity of new programs. As much as we have accomplished and learned in the area of youth employment and training, there are still unanswered questions and problems. Can we continue to view education and work programs for youth as two different entities that are almost mutually exclusive? How can we bring the two systems together, taking the best from both, to comprehensively meet the requirements of unemployed youth? Can we assume that there is an adequate alternative education system for dropouts and disadvantaged unemployed youth?

Additionally, I believe that there are avenues under JTPA that coupled with TJTC, OJT or vocational education, can provide interventions similar to H.R. 5017 without initiating new legislation. Should we be calling for a new $2 billion program rather than fighting for greater resources for the programs already in existence? Will this bill divert the efforts of those in the employment and training field from initiating workable youth program under JTPA in the hopes of another youth employment program?

We must continue to work together to resolve the problems of youth unemployment. I was pleased to see the Chairman state in his introductory remarks to this bill, as I did during discussion of the Job Training Partnership Act, that an investment in these programs is really an investment in our future. These two days of hearings should prove to be productive because through the testimony we receive we have the opportunity to exchange ideas, and to examine various approaches to the problem of youth unemployment. I look forward to interacting with the witnesses, and commend the efforts of Mr. Hawkins in bringing this issue to the forefront of this Subcommittee's agenda.

Mr. **Hawkins**. The subject of unemployment is obviously one of the major issues, if not the major domestic issue facing the Nation today. Despite talk of recovery, almost 15 million Americans are unemployed; the threat of unemployment among those who are employed is increasing; another recession is already being talked about. This subject is very much before us.

As usual, this committee, when it gets into a situation of this kind, calls on a friend of the committee who has always responded and it is a pleasure this morning for the Chair to have as the lead-off witness, the distinguished Senator from the State of Massachusetts, a friend of the committee, a friend of all of us, the Honorable Senator Ted Kennedy.

Ted, it is a delight to have you before the committee and you may proceed in whichever manner that you desire. If you have a written statement, it will be entered in the record in its entirety and you may deal with the subject this morning as you see fit.

STATEMENT OF HON. EDWARD KENNEDY, A U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

Senator **Kennedy**. Thank you very much, Mr. Chairman, and members of the committee. I want to say what a pleasure and a privilege it is to testify before you and this committee on what I consider to be one of the major domestic issues that we are facing in this country.

Once again, Mr. Chairman, and the members of the committee, you are really pointing the way for the future by having this series of hearings and I have noticed from your witness list that you are talking to a number of young people who are seeking employment. I just want to commend you, not only for having these hearings and putting the spotlight of the Congress of the United States on this issue, but also from hearing from some of those who are most directly affected by the lack of employment opportunity. I know that one of the points that is going to be made and made very forcefully by those witnesses will be that if they do have an opportunity, they want to work. They have this sense of frustration because of the lack of opportunity and I think we, as a nation, are poorer for the fact that millions of young people in our country do not have the chance and the opportunity to find employment opportunities.

We in the Senate are not as fortunate to have the set of hearings and the record that is being made over here. I, as a sponsor of this legislation, want to pay tribute again to you for fashioning and shaping the legislation and indicate that I look forward to pressing it forward in the U.S. Senate. I regret the fact that as the subcommittee and the full committee, of which I am a member, the Human Resource Committee, is chaired by an individual who doesn't share the kind of commitment in this area which I think is so essential and so necessary if we are going to meet our responsibility, but I do want to mention the point that in the past, we have had a good bipartisan cooperation on the youth employment bill that we passed last year. It was the only new domestic piece of legislation and it was worked on by Senator Quayle and myself and I am very hopeful that with the efforts that are being made here in the House of Representatives and with the need which is so real, that we will be able to fashion a legislative vehicle and meet with you in conference and come up with a realistic program to address one of the very essential needs.

As the first witness, Mr. Chairman, I believe that it is perhaps important to put this issue in some perspective. I know these figures and statistics do not come as any surprise to the members of this committee, but I do think it is important that they be placed in the record at the outset of the hearings on this important area of public policy so that we do know what the nature of the problem really is.

I know that I don't have to mention to this committee that if we go back in the period of years back to the mid-1950's, what we find with regard to the total youth unemployment, it is virtually without discrimination, with regard to the differences between black and brown and white. The variation between male and female, although it is noticeable, it does not have the very considerable disparity that it has at the very present time.

[Chart.]

Senator KENNEDY. This chart here, Mr. Chairman, as you well understand, shows where we have gone in terms of the total unemployment figures in the country at the present time and what we have seen in terms of the youth employment listed between the ages of 16 and 19.

Even though we have seen some reduction—and I still find that figure to be highly unacceptable—the 7.9 percent—the fact remains that the young people in our society are not the ones that are benefiting from the 5 million-odd jobs that have been created in the period of the last 3 years. I think this statistic shows very clearly that fact.

[Chart.]

Senator KENNEDY. Again, if we were to move back into the period of the 1950's and 1960's, we would find the disparity between the various young people to be virtually the same. What we have seen now in the recent period of time is the real disparity between black youth, the Hispanic youth and the white youth. What we do also understand is this only measures those individuals who are really interested in finding jobs.

We see in this case white youth have seen some marginal reduction in the period of the last 2 years, but when we measure that against the number of young people, Hispanic and black young people in this country, we see the enormous loss in being able to find employment for those individuals.

[Chart.]

Senator **Kennedy**. Mr. Chairman, this is another way—if I could this chart over here—another way to make the same kind of point. Forty-two percent, or one out of two white teenagers have a job. Between 16 and 19. One out of three teenagers of Hispanic background has a job, 32-percent employment; and only one in six in terms of the black teenager has a job, 15 percent, as reflected in this chart.

[Chart.]

Senator **Kennedy**. Mr. Chairman, we recognize that the problems that we are facing in youth employment cannot necessarily be answered just by throwing money at it. We are not making that request, but what we have seen is that this particular problem has been addressed by legislation, which you, Mr. Chairman, were so active in fashioning in the late 1970s, the 1977 legislation, where we were targeting resources in a variety of different ways—and you are familiar with that legislation—to try and address this problem.

We saw that there was a national commitment, basically bipartisan in nature, where we said that this is a problem and that we are going to do something about it. What we have seen is a dramatic decline in the nature of the commitment of the Congress and the American people in dealing with this particular issue.

This legislation, as you well understand, basically is to try and ensure that 1 million of the youth unemployed and the economically disadvantaged between 16 and 19 will find employment. It puts a heavy stress on the continued education aspects of the program. It has jobs in the private as well as in the public sector. It does provide limited resources in terms of the summer education program and the requirements which I think are extremely compelling, which in any review of a successful youth training program has been so effective that the youth agrees to stay in or return to school and meet the academic standards.

The information which is available to this committee and to us on the Senate side shows very clearly that if the young people stay in school, they continue their education, continue their training, the opportunities which exist for them expand very dramatically. The heavy emphasis and stress in building on that finding, I think, is very adequately expressed in this legislation.

I am very hopeful, Mr. Chairman, that we can take the record of the past, the successful programs which are targeted toward these young people, build on that record; recognize that there is a national need that needs this kind of attention and see a successful and effective program on one of the very outstanding problems which we have before our country.

Mr. Chairman, I would ask that my complete statement be placed in the record and that it appear as if given.

The final point that I would make, Mr. Chairman, is that we found in a related program, as part of the 1977 program, a pilot program that was very similar to this developed in my own State of Massachusetts—developed in Boston. What we found in that, the statistics—and I would like to submit that program—is 70 percent increase in employment—the dropout rate from schools—was reduced by 12 percent. Sixty-three percent increase in numbers of youth returning to school to complete their education.

I know this committee is familiar with the fact that the number of dropouts in many of our urban areas, innercity areas, is very significant and very dramatic. But what we can point out is that when we have had targeted programs such as this particular program, it has been effective in seeing the number of young people return to a school; has been effective in their continued education program, job skill development; and has had an important impact in terms of their employability.

So, Mr. Chairman, I think that the record is very impressive on the potential for this kind of a program. I think it is equally noticeable about what will be the result if we do not have a targeted program on the unemployed youth of this country. I think we are going to pay a price, not only in lost talent for our economy; we are going to pay a price internationally in terms of our competitive position; and most tragically, we are going to pay a price in terms of the kind of dispair and hopelessness that will come from a whole generation of young people in our society who will not have the opportunity for employment possibilities.

I believe that this is a measured, moderate and yet essential piece of legislation to deal with an extremely significant and important national need.

I thank the Chair and the members of the committee for the opportunity of making this presentation.

[Prepared statement of Senator Edward M. Kennedy follows:]

PREPARED STATEMENT OF HON. EDWARD M. KENNEDY, A U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

Mr. Chairman, I want to thank you for inviting me to appear before you today, and I commend your leadership in addressing one of the most difficult problems facing our Nation—the unacceptable level of unemployment among our young people. Unfortunately, my colleagues in the Senate have failed to face this issue. So today I have sent a letter to Chairman Hatch and Senator Quayle asking them to begin hearings immediately.

While the decline in total unemployment over the last few months has been welcome news, those statistics tell only part of the story. Young people have borne the brunt of the Reagan recession and are continuing to experience unemployment at rates more than twice the national average. Nine million Americans were still out of work last month and 40% of those jobless were under 25. Unemployment among teenagers today stands at almost 20%.

The Administration is taking credit for adding 5 million jobs to the economy in the last 15 months, but less than 4% of those jobs went to young people. And if you're young and black or Hispanic, you have a double burden. Unemployment for black teenagers stood at almost 47% last month and for Hispanics it was 26%.

As disturbing as these unemployment figures are, they don't tell the whole story. Since the unemployment rate only measures those teenagers who are actively looking for work, it doesn't count those who've given up because they're completely discouraged by the lack of opportunity. A better test is to look at the number of young people who are actually working. What we find is that it pays to be white. While half of all white teenagers are working, only 1 in 3 Hispanic youth has a job and just 1 out of every 6 black teens are employed. Of those that are working, only 5% have a full time job.

Of course the best passport to the job market is a high school diploma. But once again, we're losing ground. While Japan graduates 97% of its high school students, the United States has a dropout rate of 28%, in some cities—New York, Boston, Chicago—half the freshmen entering high school never finish. And black and Hispanic teens dropout of school with much greater frequency than white youth.

Some may ask why we should be concerned—won't the problem disappear as these youngsters get older? We have in fact seen a decline in unemployment among white youth as the baby boom generation had grown up. As a result, black and Hispanic youth now represent a greater portion of the youth population and the number of these youngsters entering the work force is still on the increase. Unless we address this problem now we will be faced with half of an entire generation that doesn't know what it means to work. How can we ever expect to compete with the Germans and Japanese in the world economy if a significant portion of our future work force is illiterate, unskilled and unemployable?

And the sad fact is that five years ago we were well on our way to winning the war on youth unemployment. In 1977 a bipartisan coalition in both Houses of Congress passed landmark legislation and appropriated over $3 billion for programs to train and employ young people.

One of the most important was the Youth Incentive Entitlement Project which operated as a demonstration effort in 17 cities including my own city of Boston.

The entitlement program offered jobs to poor youth if they stayed in or returned to school. It was carefully studied and the results were dramatic: a 70% increase in employment, the dropout rate reduced by 12%, and a 63% increase in the number of youth returning to school to complete their education.

The private sector provided jobs in unprecedented numbers and hired a number of these young trainees after they left the program.

And the youth themselves demonstrated a willingness to work if given the chance.

Unfortunately, the election of 1980 resulted in more than just a change of party leadership at the White House and in the Senate. It also signaled the end of these very successful efforts. Even with the passage of the Job Training Partnership Act and the priority that legislation gives to serving unemployed youth, we are spending just $2.0 billion to train young people—a little over half of what was budgeted 4 years ago and less even than we were spending in 1976 under the last Republican Administration. And when inflation is taken into account, the $2 billion we are spending now is worth just $600 million in 1976 dollars. While youth unemployment has skyrocketed, our efforts to combat it have dwindled to a trickle.

The legislation Congressman Hawkins and I have introduced would reverse that trend. It will build on the successful youth entitlement model. The $2 billion authorized in our Act will mean jobs for one million unemployed teenagers. In return for this opportunity, those participating must promise to stay in school and learn. Those who've dropped out would get a second chance to complete their education. Business would again be asked to help train these youth and, in return, their wages would be paid by the program. It is a program that is proven. It is a program that will work.

Our critics will say we can't afford to enact a new program now. I say we can't afford *not* to. Eliminating just one aircraft carrier would more than pay for the cost of putting one million teenagers to work. It is a matter of priorities. And I say putting unemployed young people to work ought to be the first priority of this great Nation not the last. Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, Senator.

There are just two questions the Chair would direct to you. First, may I indicate agreement with you on the fact that this is not a new idea; that it is an outgrowth of a very successful program that we had passed in 1977 on a trial basis; that the pilot program did prove to be very successful and it is very difficult to understand why that was not continued, but obviously, it was not.

I will advance the two questions together. One is that the argument is used that this is another expenditure and that it adds to the budget deficit; therefore, we cannot afford it and, in connection with that, which I would like for you to comment on, there is the idea advanced by the administration that the way to put the youth to work is to provide a subminimum wage as the answer to the problem.

These two arguments—one on the budget issue and the other on the alternative to what we are suggesting—have been obviously placed on the desk before us and I would like to get your comments on those reactions.

Mr. KENNEDY. I think those are fair questions, Mr. Chairman, and I would certainly not feel comfortable in coming over here and proposing this kind of expenditure without indicating where we might be able to raise the resources to do it. Just before the Easter break, I offered onto the tax bill a corporate minimum tax that would have raised between $11 and $12 billion. You know, it is interesting, Mr. Chairman, that if you go back even to 1960, you find that 23 percent of the revenues that were raised were raised by corporations in this country in terms of their participation in the Internal Revenue System. That is now down to about 6 to 7 percent and some of the major corporations in our country virtually pay absolutely no tax whatsoever.

Offering a 15-percent corporate minimum tax would raise between $11 and $12 billion. What we are asking is that corporate America pay at least their fair share, and that would be five times the amount that is being requested in this legislation.

Second, Mr. Chairman, the idea of a subminimum wage, I think, is an issue which I know that this committee is very familiar with. Once we start talking about the subminimum wage, what we are basically doing is talking about replacing the breadwinners of families in this country with teenagers that are getting paid less than the minimum wage.

We know that if you look at this from a demographic point of view, that there are the jobs for youth in our society and in a number of different areas of the country. There are the McDonald's and the other kinds of fast-food stores and other kinds of industry that exist on the periphery of our major urban area where they employ young people, but I think the importance of this program is it is tied to education; it is tied to problems that exist in many of the innercities of this country, where that kind of employment does not exist. This is tied to education; it is absolutely essential and what we are not interested in doing, I don't expect, is to try and substitute for the breadwinner, for the family in this country young people, teenagers who are not making a minimum wage.

I would like to submit for the record the number of individuals who are earning the minimum wage that our breadwinners for the family. I believe it is between 60 and 70 percent. It is a startling figure, because I just don't know how a family of four can actually survive on a minimum wage in our society at the present time.

If we start talking about reducing that minimum wage and using these teenagers for that, I think we will be having a very significant, dramatic and I think harmful effect on a number of men and women in our society who are the breadwinners for our society.

So I am strongly opposed to that proposal.

Mr. HAWKINS. Thank you, Senator.

The Chair will yield at this point to the ranking minority member, Mr. Jeffords.

Mr. JEFFORDS. Thank you, Mr. Chairman. I certainly appreciate this hearing as I think it is important to emphasize the serious problems we have with youth unemployment. I don't think there is anyone on this committee who has worked harder to try and take care of our youth than I have.

However, I do have some problems with this legislation. I would like to ask the Senator this: Since we have such limited resources available dedicated to this area of concern, and since the Job Training Partnership Act that we passed somewhat recently intends to—at least attempts to accomplish the same purposes this bill does—and with only some slight modifications of section 205(d)(1), we could do everything which this bill requires; why would it not be better to try and make some slight modifications in the Job Training Partnership Act instead of trying to push a new piece of legislation through attempting to get funding for a new program, rather than trying to increase the funding for the present program, placing more emphasis on youth?

Senator KENNEDY. I know, Congressman, that you are very familiar with a number of the issues that we tried to consider in the time of the conference on the Job Training Partnership Act which were not acceptable and hopefully, in the light of that experience, perhaps we will be able to fashion and shape a more effective kind of a program. The amount of resources, for example, in terms—this program here is targeted, I think more dramatically, into where the need is. I think that is an extremely important factor.

This is really identified with one of the conditions of continued education and training, but basically is targeted to where the real problem is. The previous legislation, the Youth Employment Act, is more general in nature. It does have incentives in terms of the private sectors, which are important and also builds upon some of the more successful programs, but this is more targeted.

Second, it has a greater degree of flexibility with regards to permitting a certain amount of the resources to be used for wages in this program. This was an issue that we discussed at length during the course of the conference and in our own legislation, which I think is extremely essential and important. It has a work experience requirement in this legislation and I think what it does do, Congressman, is build upon the successful programs, as the chairman has said, of 1977.

This legislation really reaches back to that 1977 program, finds which programs really worked, and builds upon those programs. Certainly I am a strong supporter of the Youth Employment Act. I think it does provide some real advantages but I do think that we are building on that program and moving beyond it with this legislation.

I think that the need is very great; it is continuing and it is ongoing; and that legislation just is not going to deal with the program in as effective a way as this legislation would.

Mr. **Jeffords**. Section 205 was built and put in JTPA to take advantage of those programs to which you are referring. I personally feel that we would be better off serving young people by doing something which is likely to be put into the legislation, rather than to try for a new program which I don't believe will get further than perhaps this body, if at all, especially when the requested authorization for appropriations is $200 million more than we presently have for the whole Job Training Partnership Act basic State grant program.

I have one further question. I know how strongly many people feel about what minimum wage ought to be paid to young people. I don't want to get into the arguments on what the impact would be in the private sector. What concerns me is whether or not it would be advantageous that for each million dollars we spend in this bill or other public-service-type employment bills we hire 1,000 young people for the summer instead of around 730. For $100 a week, we could hire 1,000 disadvantaged youth. I wonder why there is such tremendous feeling against these kinds of proposals which would allow us to hire more young people for a summer in areas where we have excessive youth unemployment at a wage which at least would be rewarding to the individual and give them work experience? Instead we limit the number by a wage which is higher, albeit attractive, but which still denies many young people the opportunity to work.

Senator **Kennedy**. Well, as you are very familiar with, Congressman, the minimum wage has not gone up for a period of 4 years. The purchasing power, given the rates of inflation and other factors, has seen a very significant decline in that minimum wage for individuals in our society. As you are familiar with both the current law, the existing law, there is a degree of flexibility within the legislation upon petition to the Secretary for some modification or some exception under certain criteria so that there can be something that is paid less than the minimum wage. I think that that kind of flexibility is built in the legislation. I think that that is the best way to actually proceed.

Mr. **Jeffords**. My concern is that, as the black mayors have pointed out, if we continue to get into this kind of a debate and really accept the unions' premise on substitution, et cetera, we aren't really going to make any headway for our minority youth in this country to be able to get employment. I would hope that we would find some way at least to bridge that gap, especially in this bill which talks about the prevailing wage, not even the minimum wage, under section 8. I am really concerned that we are going to minimize the opportunity for our minority youth, especially an opportunity to participate in meaningful jobs.

Senator **Kennedy**. Congressman, I think that what we find is that the wages, in and of themselves, are not the overwhelming barrier from employment. Part of it is education; part of it is other kinds of training. I think that that is—that we will find out, both from the hearings that are held in this body and also held in the Senate, and I think that one of the very important aspects of this legislation is the emphasis and stress that we are giving both to education and for training programs for these young people to equip them to be able to make a useful and important and meaningful contribution to the employer itself.

I think if we were just looking at the other factors, just the questions of employment without those other factors, I think we may have a—I think the case would be stronger in the support of the Congressman's position but I think that this program is so heavily targeted on both the education and the work experience and the other training programs that I believe that it is a correct balance when we recognize what the needs are and what the possibilities are.

Mr. **Jeffords**. I thank the Senator for his answers. I know we share the common goal and are working for the common purpose. We may have some differences on just how to reach them, but I certainly appreciate your leadership in this area.

Senator **Kennedy**. Thank you very much.

Mr. **Hawkins**. Thank you.

Mr. Corrada.

Mr. **Corrada**. Thank you, Mr. Chairman.

I would just like to state, of course, that I am a cosponsor of this legislation, together with Chairman Hawkins, who has been an untiring champion for the cause of the unemployed. I would like to commend Senator Kennedy, of course, for his thrust in the Senate and coming here today.

In Puerto Rico, particularly, this problem is very serious and I think this bill addresses a very critical problem. That is, youth from high poverty areas dropping out from school because simply their poor conditions create circumstances which tend to pressure them out of the school system. I think that by approaching the problem the way this bill does—that is, to entice these youngsters to come back to school, to finish their education, be trained and at the same time have a work experience, we are precisely addressing the most critical problem related to youth unemployment in our country, and I, of course, will fully support this legislation and commend Senator Kennedy for his support.

I hope that on the Senate side, even under the prevailing circumstances, he'll do his best to at least have that voice cry out in the wilderness.

Thank you, Mr. Chairman.

Mr. **Hawkins**. Mr. Martinez.

Mr. **Martinez**. I guess I can relate to this from a personal standpoint. I dropped out of high school because my parents had nine children. I had to go to work and I got my diploma sometime later, realizing, because of those work experiences, that I needed that diploma. I think that the work experiences that I had encouraged me to get a further education.

More recently, in my community, in which I was the mayor, we entered into a situation with some youth who were from an area that was called "The Block," which was giving us quite a bit of problems, juvenile delinquency. Break-ins to businesses down in that end.

We found that when we took these people over to the job training center, the skill center in East Los Angeles and got them trained and then assisted them with employment, not only did most of them return to part-time night school to get their diplomas, but through gainful employment, delinquency problems in the area almost ceased.

It is obvious, that there are many ways in which youth employment legislation can help the communities. I, like Baltasar Corrada, have to commend you, Senator Kennedy, for your insight and for your thrust behind us because I think with people like you behind it, we may soon get other people to realize the importance of the legislation and get a youth employment bill passed.

I thank you.

Senator KENNEDY. Thank you very much.

Mr. HAWKINS. Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman.

I want to add my commendation to you on this side and Senator, to you on the other side, for the introduction of this bill which I am a cosponsor of.

Senator, you and I were visiting the other day about western Montana, my district, your occasional trips out there and to Wyoming. The unemployment rate now in western Montana is more than 10 percent. My State has no in-school employment or training program of this type, nor do many other States in the West. The West isn't the only region in the country where there is simply no program of this type in existence.

It is clear now that difficult economic times severely impact on children of the ages with which this program would deal. All of us—those in the minority as well as those of us in the majority—want to see good economic times. The question is: How do we reach it? Are we headed back into bad economic times. And if so, shouldn't the Congress move right now to roll up its sleeves instead of twiddling its thumbs to have a program in place for those bad economic times if they come?

As I say, none of us want to see it, but we are now faced with a situation where this month new one-family homes—the new starts for one-family homes has dropped almost 5 percent and in the past 3 months, that drop has totaled 10.2 percent.

We have—we are told now that we have had a decline in retail sales for both February and March. The hours of factory workers declined last month. The unemployment rate, which had been going down, now seems to have stabilized and that's bad news because the unemployment rate, not only in western Montana, but throughout America, is far too high and much higher than it was before Ronald Reagan took office.

We now have a decline in the average workweek; a decline in manufacture of new orders; and a decline in building permits. Most economists believe that the news is not good; it is bad. I think that the Congress for a change should shut the door before the horse is gone. This is the type of legislation we need to protect young people, keep them in school. We not only have an education crisis in this country, we have an economic crisis and this bill attempts to alleviate both.

I commend you, Senator, for your foresight in the Senate on this issue.

Senator KENNEDY. Thank you very much.

Mr. HAWKINS. Mr. Hayes.

Senator **Kennedy**. I am glad that you pointed out what we are really targeting is in the areas where the unemployment exists, whether it is in the urban areas or also in other parts of the country where we have these pockets. I think that is an extremely important point and I did not emphasize and stress that as much as I should.

I thank you for making that point, Congressman.

Mr. **Hayes**. Thank you, Mr. Chairman.

I want to add my voice in support of H.R. 5017. I didn't have an opportunity to hear all the testimony of our good Senator, but I want to—that which I heard, I want to express agreement with the position as it relates to the two-tier minimum wage.

I think it is a farce to assume that to establish another wage level lower than the existing Federal minimal wage, which is already too low, under the guise that this is going to create more job opportunities for our youth. After all, particularly in the fast-food industry, which he alluded to, the number of jobs comes as a result of a number of "Where's the beef;" how many hamburgers are going to be sold, or whatever else they sell.

I think that the $3.35 as a Federal minimum wage, as you say, has not been touched except 4 years ago—I think. We ought to be thinking about elevating it the other way instead of putting youth in a position where they compete with their parents for a job, and this is exactly what would happen.

I certainly think that an allusion different from that which has been expressed by the Senator—I am in complete opposition to the position that was taken in St. Louis recently by the Conference of Black Mayors, and have no problem with telling them. As a matter of fact, I discussed this matter with my own mayor, who was not in St. Louis, to ascertain his position with respect to establishing a lower minimum wage under the guise that it is going to create additional jobs.

I just think it is wrong. The profit experience in the fast-food industry as a whole has been very good, and I don't think they need any incentives at all, and certainly not to exploit our youth, as this would do if we establish a two-tier minimum wage.

Senator **Kennedy**. Thank you very much, Mr. Hayes.

Mr. **Hawkins**. That seems to have exhausted our members.

Senator, the point has been raised earlier, though, I would like to remind you—recall the conference, the Job Training Partnership Act, which originated in this committee and in the bill sponsored by you and Senator Quayle. We had joint hearings, and I thought we had along the way a reasonably good bill which I think might have taken care of some of this problem as Mr. Jeffords has indicated.

However, I would like to recall that we were opposed by the administration and that we restricted the bill, unduly in my opinion, and I think that in order to preserve the bipartisan coalition that we had put together, we made concession after concession to the administration and we struck out of the bill any semblance of job creation or any flexibility merely because Senator Hatch, if you will recall at that time, was in constant touch with the White House to ascertain their views on what they would be willing to accept.

After going through this torture for days and days in trying to get through something because already the Comprehensive Employment and Training Act had been abolished, we had no training bill and certainly no job creation bill. As a matter of fact, we had no jobs policy. In order to at least get something through, we agreed to make concessions to the administration.

Well, I don't know about you, but those of us who had helped to create this bill were not even invited down to the White House for a bill signing. I am sure you have enough pens in your office; you don't need them and I don't need them either, but it is peculiar that they now take such credit for this bill which we had to force upon them, even in its very limited stage.

So I think that any suggestion that we can use this vehicle for all of these problems is rather remote and it is rather ironic that anyone would even suggest that this is going to solve the youth unemployment problem when it doesn't. We have had problems even in its operation to get them to seriously consider anyone but out-of-school youth. In other words, if you drop out of school, you get the consideration, but if you want to stay in school or go back to school, you don't get consideration.

It is almost a crisis-oriented implementation of the act, which I think was reasonably good as a training bill, but it certainly doesn't create any jobs. I don't know whether you want to comment on it or not, but we certainly appreciate the support that you gave to us in that conference committee because certainly without your support and that of Senator Quayle on the other side and on this side, Mr. Jeffords, in my opinion, we would not have gotten the Job Training Partnership Act. We wouldn't have anything on the statute books today. So we certainly wish to commend you for your role.

Senator **Kennedy**. I thank you for your comments, Mr. Chairman, and for your reviewing for the record the history of the conference. I won't take the time of the committee to review with the committee the problems that we faced in the Human Resource Committee in the Senate to get the matter on the agenda, to get the matter considered by the whole committee, to get it scheduled, to get it debated, and to get it even to the conference.

It was a continuing, ongoing struggle. I have to commend Senator Quayle for his diligence on it, but there is no mystery that the administration had opposed us all the way along the line. I do believe that this program which is in law now has made some difference. Of course, their provisions which have not been fully implemented—Congressman Jeffords has made reference to the section 205 provisions—those provisions really I don't think have been given the kind of life that the Congressman had hoped for or had intended.

This is a matter of both importance and continuing need and I just want to give the assurance to this committee that I will do everything I possibly can, as the ranking minority member of that committee, to see if we cannot move this legislation and meet with this committee in the conference and try to make some difference for the millions of young people who are unemployed today.

Mr. **Hawkins**. Thank you, again, Senator Kennedy.

The next witness is Dr. Stephen Hills, Ohio State University, the Center for Human Resource Research.

Dr. Hills, we do have your testimony in its entirety and it will be entered in the record at this point, without objection. You may proceed to give us the highlights or to summarize it to the extent possible.

We appreciate your appearance before the committee this morning and we look forward to your testimony.

STATEMENT OF STEPHEN HILLS, OHIO STATE UNIVERSITY, CENTER FOR HUMAN RESOURCE RESEARCH

Mr. HILLS. Mr. Chairman, members of the committee, I appreciate the opportunity to participate in these hearings on youth unemployment. My name, as you have mentioned, is Stephen Hills. I am an associate professor of management and human resources and acting director of the Center for Human Resource Research at the Ohio State University.

For the past 10 years, I have worked primarily and intensively with data from the National Longitudinal Surveys of Labor Market Experience, or the NLS, as we call them.

With the NLS, we have followed five nationally representative cohorts which, together, include over 33,000 individuals for a number of years; we ask a battery of employment-related questions of the same people year after year. These surveys have been financed by the U.S. Department of Labor since the mid-1960's.

Three of the five NLS cohorts have been made up of youth undergoing the transition from school to work. A great deal of information is available from the NLS on the labor market for youth, far too much to summarize in the brief time available today. So today I will instead focus rather closely on data from the most recent of these cohorts, a sample of 12,000 young people who were age 14 to 21 when they were first interviewed in 1979, and who have been interviewed every year since that time.

Their experience will give you the clearest picture you can get of what is happening among the nation's teenagers as they leave high school and join the work force. I trust this detailed focus will be of use to you in evaluating the proposed Youth Incentive Employment Act Program.

The Youth Incentive Employment Act Program would encourage high school-aged youth to remain in school, and while there, to obtain marketable skills through guaranteed part time and summer employment. Basic facts about the school-to-work transition are essential because this transition bears on the efficacy of the proposed program.

As I have indicated, the facts we have gathered came from a nationally representative sample of youth who are surveyed each year, so it is possible to follow their employment experience for several years and to derive from it generalizations that have national applicability.

If you would like to follow my observations in the tables in the testimony, I would be happy to signal which table I am discussing, but I think perhaps you might want to refer to those after we finish today, and in the text I cite which tables I am referring to.

Overall, as might be seen in the first table, between one-quarter and one-third of 16- to 19-year-olds were out of school in the 1978 to 1981 period of time. Hispanics, both male and female, were the most likely to have left school, and white males and black females the least likely.

Over the period, the fraction of Hispanic males and white females in this age group who left school gradually increased as we moved through time.

To answer the needs of the committee for specifics about youth unemployment, we used NLS data to follow three mutually exclusive out-of-school cohorts—those age 16 through 19 who left school in 1978; those who left in 1979; and those who left in 1980, respectively. Since we follow each cohort through 1981, we concentrate on the 1978 cohort because we are able to follow that group for 4 full years after leaving school.

Our findings may be highlighted here briefly. First, in any given year after leaving school, a large fraction of out-of-school youth age 16 to 19 experience some unemployment and a small group of those youth experience a great deal of unemployment.

Now, let's look at this finding in more detail. If we examine any 1 of the 4 years after they left school, we find that between 30 and 40 percent of 1978 male school-leavers age 16 to 19 had at least 1 week of unemployment. You can see that in more detail in table 2.

If, however, we look for high amounts of unemployment, we find that at least 6 months of unemployment in any given year was experienced by between 4 percent and 7 percent of the 1978 school-leavers who were male. These measures of unemployment are somewhat lower for females.

Our second observation is that high school dropouts experience a much greater incidence and amount of unemployment than do high school graduates. For example, the incidence of unemployment of at least 6 months shows a range for male high school dropouts from 9 percent to 17 percent, but for high school graduates, the range is from 1 percent to 8 percent.

Differences for females are less pronounced, perhaps because female high school dropouts have much lower labor force participation than do female high school graduates.

Our third major finding is that race differences in unemployment are very pronounced. The incidence of unemployment and its extent are greatest by far among blacks. Hispanics experience less unemployment than blacks, but somewhat more than whites.

Again, the details are of interest. Although among male high school dropouts, we do not see sharp differences by race in the proportions unemployed for 1 week or more in any postschool year, if we look at unemployment of 6 months or more, high unemployment, sharp racial differences appear; 21 percent of black dropouts, but only 12 percent of Hispanic or white dropouts, had 6 months of unemployment in the first year after leaving school. You can see that in table 5.

In any 1 week, CPS data, such as shown by Senator Kennedy, will show that the black rate of unemployment is slightly more than twice the white rate among teenagers. This relationship has been fairly constant throughout the 1970's. What is striking from our data covering this school-to-work transition period is that black males are two to three times more likely than white males to experience unemployment of over 6 months within the immediate postschool period.

Hispanic males, on the other hand, have only a modest higher fraction of youth in this category of high unemployment than do white males. Among females, essentially the same pattern of race differences emerges as for men.

Fourth, we observed that the incidence and extent of unemployment have remained roughly constant for each cohort as they move farther and farther from leaving school. Here, again, the details may be useful.

Four years after they left school in 1978, 13 percent of male high school dropouts still experienced at least 6 months of unemployment, just as was the case during their first year out of school, when this figure had also been 13 percent.

This result is rather striking because we expect unemployment to become less pervasive as the group ages and gains some labor market experience, but this roughly constant level of unemployment holds both for high school dropouts and high school graduates and it is not restricted to a particular race group.

We might conjecture that the increasing severity of the recession over the 1978 to 1981 period has altered the expected pattern of falling unemployment that would be due to the accumulation of work experience. Indeed, the vast majority of youth accumulated substantial work experience. Among all 1978 school leavers, for instance, about 96 percent of the males accumulated at least 1 year of work experience over the next 4 years, and about 88 percent accumulated at least 2 years.

Among females, where labor force participation rates were lower, about 80 percent accumulated at least 1 year of work experience and almost 70 percent accumulated over 2 years.

Our fifth major observation is that the majority of 16- to 19-year-old youth experienced little or no unemployment over a 3- or 4-year period after leaving school, but a significant minority experience a great deal of unemployment. A small minority of youth account for most of youth unemployment.

Over the period 1978 to 1981, only 2 percent of the 1978 male school leavers experienced more than 2 years of unemployment in the 4 years, while 13 percent experienced over 1 year of unemployment.

In contrast, 38 percent of the 1978 group of male school leavers experienced no unemployment and over 75 percent experienced less than 6 months of unemployment in that 4-year period.

For females, the distribution of unemployment is somewhat less dispersed than for males. Our data show that 5 percent of the population of young men account for approximately 30 percent of the total unemployment accumulated by all male youth over the 4-year period and that the top one-fifth, or 20 percent of male youth who are most frequently unemployed, account for 70 percent of the total accumulated unemployment over this 4-year period. Almost identical figures apply for females.

Sixth, we found that among the 20 percent of youth who experience the most unemployment in the entire postschool period, high school dropouts are overrepresented and black high school dropouts are the most overrepresented of the race groups.

With respect to the racial representation among youth who have no unemployment in the postschool period, high school graduates are overrepresented. However, this does not hold for black high school graduates.

Education and race are both related to the accumulation of postschool unemployment. One of three high school dropouts and almost one of two black high school dropouts are included among the 20 percent of youth who experienced the most unemployment after leaving school. Look at table 8 for evidence on this.

High school dropouts, male and female, are more than twice as likely to fall in the highest unemployment group as are high school graduates.

On the other hand, 38 percent of all male youth and 32 percent of all female youth experience no unemployment in the full 4 years after leaving school. Yet, 44 percent of male high school graduates and 42 percent of female graduates have no unemployment.

For white high school graduates, the percentage of youth who have no unemployment is 47 for males and 43 for females, considerably more than the 38 and 32 percent who have no unemployment overall.

Hispanic females are similar to white, but for Hispanic males, only 37 percent have no unemployment in this 4-year period after school.

However, disproportionately fewer black high school graduates have no unemployment. Fewer blacks, compared to all youth. This is in sharp contrast with the whites, where disproportionately more high school graduates have no unemployment. This contrast by race holds true among males and females alike.

Now, those are the factual data that we have compiled. What about the outcomes of youth unemployment in this transitional period? Many noncollege-bound teenagers are experiencing greater amounts of unemployment in making the transition to the labor force in the early 1980's than in earlier periods, but will those who experience the most unemployment now earn less in subsequent years because of their unemployment?

A number of researchers have recently examined this question. Unemployment during the teenage years can have a scarring effect on earnings if prolonged periods of joblessness, both in school and in the postschool transition period, reduce total work experience and thus delay the process of acquiring specific on-the-job skills.

Less work experience may also reduce the amount of an individual's general training, especially if formal training programs are offered by companies or unions, and less training in turn reduces subsequent earnings. Long-run earnings may be reduced if employers alter hiring decisions in response to a youth's prior employment history. Believing that a history of little or no unemployment implies high levels of future individual productivity, employers may offer higher wages to youth with stable employment records.

Finally, early unemployment of long duration could affect a young person's work attitudes and level of motivation for relatively long periods of time if unemployment is reinforced by a continuing lack of success in the labor market.

Estimating whether this type of scarring has actually occurred is not easy, however. Longitudinal data, which follow the same individuals over a number of years, are a prerequisite for doing this. Even when longitudinal data make it possible to observe youth with long periods of unemployment early in their careers and lower wages several years later, however, we cannot be certain that the unemployment caused the lower wages. Other factors, for instance, low education may be causing both the high levels of early unemployment and the lower subsequent wages.

Fortunately, a variety of statistical techniques can be used to try to account for these other factors, particularly if longitudinal data are used. Results of the studies about scarring are mixed. On the one hand, some studies have shown that a lack of work experience in the first few years following school completion reduces later wages. For instance, a study by Ellwood; a study by Meyer and Wise.

Ellwood, for instance, finds that each year of work experience is associated with a subsequent 10- to 20-percent increase in wage rates at the end of 4 years, thus losing that year of work experience would be quite detrimental.

Unfortunately, these studies do not test how long the wage differentials persist—they may wash out over time—nor do they associate differences in wages with early unemployment or specific patterns of job changing and unemployment. The one study which does analyze wages over a longer period of time—in this case, 8 to 10 years—one that I worked on—and associates them with several patterns of early unemployment concludes that in the case of noncollege-bound male teenagers, many patterns of early unemployment are not associated with lower subsequent wages.

Long-run wages are actually higher when there is some early unemployment that is of short duration and associated with changes of jobs, particularly for blacks. Some period of unemployment may be associated with job-shopping and a better match of individual skills with job requirements.

The studies of the long-run effects of early unemployment may not be entirely conclusive, however, the ones that have been done up to this point. Most of them rely on the young men's cohort of the national longitudinal surveys, the main source of data for this type of study, which was started in 1966.

These studies measured early unemployment in the late 1960's and early 1970's, when youth labor markets were very different from those of the 1980's, and they apply most exclusively to men. A single study of young women based on the 1968 young women's cohort of the NLS examined the effects of early nonemployment on subsequent earnings, but it did not consider the effects of unemployment.

In this study, done by Corcoran, the costs of not working in the postschool period were observable even 10 years later. A 2-year period without work lowered women's wages from 3 to 5 percent.

Long-term scarring from unemployment may occur only when unemployment rates are high and durations are long. In 1969, rates of unemployment, even for nonwhite youth, were considerably lower than they became later in the early 1980's. The unemployment rate for nonwhite male teens age 16 and 17 was 25 percent in 1969, whereas in the early 1980's, the rate exceeded 40 percent.

Objectives of the legislation being considered by your committee can be viewed in both short- and long-run contexts. In my testimony here today, I have focused on potential long-run effects, but other recent work with NLS data sketches an important picture of in-school youth employment. In-school employment may possibly set the stage for the postschool transition period.

To summarize briefly, the work experience of minority youth while they are still in school is substantially less than that of white youth. We saw some of the numbers previously. In grade 11, 29 percent of minority young men worked for at least half the school year; in other words, restricting that to the 9-month period when school was in session and they averaged 13 hours per week among those who worked, but 49 percent of whites worked half the school year and averaged 15 hours per week.

By grade 12, hours per week rose slightly for employed minorities and whites alike, but the difference in employment patterns between minorities and whites persisted. Thirty-eight percent of minority young men in grade 12 worked at least half the school year, whereas the corresponding figure for whites was 54 percent.

The patterns for women differed little from those of men. In grade 11, 21 percent of the minority young women and 42 percent of the whites were employed for at least half the school year. In grade 12, the proportions were 37 for minorities and 54 for whites.

The proposed Youth Incentive Employment Program is designed to provide work experience and additional schooling for groups of teenagers who will encounter the most difficulty in the transition from school to work. Relative to other groups, blacks clearly have experienced the highest and most prolonged unemployment after leaving school, and have had the least work experience while in school. Even blacks who have graduated from high school experience relatively high and prolonged unemployment.

Although lack of work experience while in school and insufficient schooling are entirely consistent with the patterns of high unemployment shown by NLS data, little work experience and poor schooling are not the only possible explanations for chronic unemployment. A central issue is whether high school dropouts are merely high school graduates with less education. They may not be.

If dropouts differ in other ways, education and work experience programs directed at dropouts will have to address the ways in which they do differ. For example, dropouts may have lower levels of self-esteem, which persist even when they return to school. The data, as presented here, do not speak directly to such issues. However, NLS data could be used to explore these issues in depth, and we would be happy to provide this committee with any further information it might request from this very important data set.

Thank you.

[Prepared statement of Stephen M. Hills follows:]

PREPARED STATEMENT OF STEPHEN M. HILLS, CENTER FOR HUMAN RESOURCE RESEARCH, OHIO STATE UNIVERSITY, WORTHINGTON, OH

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to participate in these hearings on youth unemployment. My name is Stephen M. Hills; I am Associate Professor of Management and Human Resources and Acting Director of The Center for Human Resource Research at The Ohio State University. For the past ten years I have worked primarily and intensively with data from The National Longitudinal Surveys of Labor Market Experience, or NLS, as we call them. With the NLS we have followed five nationally-representative cohorts, which together include over 33,000 individuals for a number of years; we ask a battery of employment-related questions of the same people year after year.

Three of the five NLS cohorts have been made up of youth undergoing the transition from school to work. A great deal of information is available from the NLS on the labor market for youth, far too much to summarize in the brief time available today. Today I will instead focus rather closely on data from the most recent of these cohorts, a sample of 12,000 young people who were age 14-21 when they were first interviewed in 1979, and who have been interviewed each year since. Their experience will give you the clearest picture you can get of what is happening among the nation's teenagers as they leave high school and join the work force. I trust that this detailed focus will be of use to you in evaluating the proposed Youth Incentive Employment Program.

The Youth Incentive Employment Program would encourage high school age youth to remain in school and, while there, to obtain marketable skills through guaranteed part-time and summer employment. Basic facts about the school to work transition are essential because this transition bears on the efficacy of the program. As I have indicated, the facts we have gathered come from a nationally-representative sample of youth who are surveyed each year, so it is possible to follow their employment experience for several years and to derive from it generalizations that have national applicability.[1] If you would like to follow my observations in the tables I will be happy to signal which table I am discussing as I go along.

Overall, between one-quarter and one-third of 16 to 19 year olds were out of school in the 1978-1981 period (Table 1).[2] Hispanics—both male and female—were most likely to have left school and white males and black females the least likely. Over the period, the fraction of Hispanic males and white females in this age group who left school gradually increased.

To answer the needs of the committee for specifics about youth employment, we used NLS data to follow three mutually-exclusive out-of-school cohorts—those age 16 to 19 who left high school in 1978, 1979, and 1980.[3] Since we follow each cohort through

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[1] The National Longitudinal Surveys (NLS) youth cohort, begun in 1979, is a nationally-representative sample with over 12,000 respondents; minorities are, however, intentionally oversampled to provide statistical reliability.

[2] Table 1 presents the proportion of 16 to 19 year olds who have left school, both high school dropouts and graduates, and the NLS sample size and associated population size of those out of school, by race and sex, for the years 1978 to 1981. All tables presented in this report use weighted data. The weights are intended to transform the sample so that it is representative of the entire population.

[3] Those age 16 to 19 year olds as of May 1, 1978 who left school within the year prior to April 30, 1978; those 16 to 19 year olds as of May 1, 1979 who left school within the year prior to April 30, 1979; and those 16 to 19 year olds as of May 1, 1980 who left school within the year prior to April 30, 1980. Out of school youth in each of these samples are permanently separated from school in the sense that they were not enrolled in school as of May 1 of the year subsequent to the school leaving year. It is possible that some of the individuals returned to school after more than one year of separation. The samples were further restricted to individuals who were not in the military in any year and to individuals who were not missing employment information in any year. The military restriction will tend to overestimate the degree of youth unemployment, particularly for males.

1981, we concentrate on the 1978 cohort because we are able to follow that group for four years after leaving school. Our findings may be highlighted briefly.

First, in any given year after leaving school a large fraction of out-of-school youth age 16-19 experience some unemployment. A small group of those youth experience a great deal of unemployment.

Let us look at this finding in more detail: if we examine any one of the four years after they left school, we find that between 30 and 40 percent of 1978 male school leavers age 16-19 had at least one week of unemployment (Table 2).[4] Comparable figures for the 1979 male school leavers (Table 3) range from 40 to 45 percent in any of the three years that they are observed out of school, and for the 1980 group (Table 4) the figure is close to 50 percent for each of the two post-schooling years.[5] Now, although the yearly average weeks of unemployment range from 4 to 7 for males and from 3 to 5 for females,[6] if we look for high amounts of unemployment, we find that at least six months of unemployment in any given year was experienced by between 4 percent and 7 percent of the 1978 school leavers, between 5 percent and 10 percent of the 1979 school leavers and about 10 percent of the 1980 school leavers. These mesures of unemployment are somewhat lower for females, but a substantial percentage of females report themselves out of the labor force and this fact may account for their lower unemployment (Tables 2, 3, 4).

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[4] It should be noted that the universe is not restricted to labor force participants. Although not very critical for males, the female figures should be looked at in conjunction with the reported rates of labor force participation.

[5] Our main purpose for presenting the three cohorts is to make sure that the experience of one cohort is not unique. Differences across cohorts could be due to several factors. Those 16 to 19 year olds who left school in 1980 could be different from those who left in 1979 or 1978 in ways that are related to their unemployment experience or there could be a real calendar year effect which is economy wide.

[6] Again it should be noted that non-participants are included as having zero weeks of unemployment.

Our second observation is that high school dropouts experience a much greater incidence and amount of unemployment than do high school graduates.

More particularly—the percentage of male high school dropouts with at least one week of unemployment ranges from 36 percent to 67 percent but for high school graduates the range is from 20 percent to 41 percent (Tables 2, 3, 4). The incidence of unemployment of at least six months shows a range for high school dropouts from 9 percent to 17 percent, but for high school graduates, from 1 percent to 8 percent. Differences for females are less pronounced, again perhaps because female high school dropouts have much lower labor force participation than female high school graduates. Differences between dropouts and graduates in average weeks of unemployment are also substantial for both sexes, as are differences in weeks worked. All of these results are fairly uniform across the three different cohorts; the extent of unemployment is greatest, however, for those who left school most recently.

Our third major finding was that race differences in unemployment are pronounced. The incidence of unemployment and its extent are greatest by far among blacks. Hispanics experience less unemployment than blacks but somewhat more than whites.

Again, the details are of interest: although among male high school dropouts we do not see sharp differences by race in the proportions unemployed one week or more in any post-school year, if we look at unemployment of six months or more, sharp racial differences appear—21 percent of black dropouts but only 12 percent of Hispanic or white dropouts had six months of unemployment in the first year after leaving school (Table 5).[7] Among male high school graduates, blacks again experience the most unemployment, Hispanics substantially less and whites somewhat less than Hispanics.

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[7] To obtain large enough samples of individuals by race it was necessary to combine the three cohorts. The first year combines the 1978 data for the 1978 school leavers, the 1979 data for the 1979 school leavers, and the 1980 for the 1980 school leavers. The second year refers to the 1979, 1980 and 1981 data for the three cohorts, respectively.

Looking at the first year out of school, we see that for graduates 61 percent of blacks, 45 percent of Hispanics and 33 percent of whites had at least one week of unemployment; and 9 percent of blacks, 4 percent of Hispanics, and 3 percent of whites had at least six months of unemployment. In any one week, CPS data show that the black rate of unemployment is slightly more than twice the white rate among teenagers. This relationship has been fairly constant throughout the 1970's. What is striking from our data is that black males are two to three times more likely than white males to experience unemployment of over six months within the immediate post-school period. Hispanic males, on the other hand, have only a modestly higher fraction of youth in this category of unemployment than do white males. Among females essentially the same pattern of race differences emerges as for men; but female participation rates, if anything, tend to lessen racial differences. Indeed, six-month participation rates are strikingly low for female high school dropouts, and they are especially low for blacks. Average weeks of unemployment on balance depict the same racial pattern of unemployment.

Fourth, we observed that the incidence and extent of unemployment have remained roughly constant for each cohort as they move further from school.

Here again more details may be useful. Four years after they left school in 1978, 13 percent of male high school dropouts still experienced at least six months of unemployment, just as they did during their first year out of school, when this figure also had been 13 percent. This result is rather striking because we expect unemployment to become less pervasive as the group ages and gains some labor market experience. But this roughtly constant level of unemployment holds both for high school dropouts and high school graduates, and it is not restricted to a particular race group. We might conjecture that the increasing severity of the recession over the 1978 to 1981 period has altered the expected pattern of falling unemployment that would be due to the accumulation of work experience. Indeed, the vast majority of youth accumulated substantial work experience: among all 1978 school leavers, about 96 percent of the males accumulated at least one year of work experience over the next four years and about 88 percent accumulated at least two years. Among females, where labor force participation rates were lower, about 80 percent accumulated at least one year of work experience and almost 70 percent accumulated over two years.

Our fifth major observation was that the majority of 16 to 19 year old youth experience little or no unemployment over a three- or four-year period after leaving school, but a significant minority experience a great deal of unemployment. A small minority of youth account for most of youth unemployment.

Over the four-year period 1978 to 1981, only 2 percent of the 1978 male school leavers experienced more than 2 years of unemployment in the four years while 13 percent experienced over 1 year of unemployment. In contrast, 38 percent of the 1978 group of male school leavers experienced no unemployment and over 75 percent experienced less than 6 months of unemployment (Table 6). For females the distribution of unemployment is somewhat less dispersed. Our data (Table 7) shows that 5 percent of the population of young men account for approximately 30 percent of the total unemployment accumulated by all male youth over the four-year period and that the top 20 percent of male youth who are most frequently unemployed account for 70 percent of total male youth unemployment. Almost identical figures apply for females.

Sixth, we found that among the 20 percent of youth who experience the most unemployment in the entire post-school period, high school dropouts are overrepresented, and black high school dropouts are the most overrepresented of the race groups. With respect to the racial representation among youth who have no unemployment in the post-school period, high school graduates are overrepresented; however this does not hold for black high school graduates (Table 8).

Education and race are both related to the accumulation of post-school unemployment. One of three high school dropouts and almost one of two black high school dropouts are included among the 20 percent of youth who experience the most unemployment after leaving school (Table 8). High school dropouts, male and female, are more than twice as likely to fall in the highest-unemployment group as are high school graduates (Table 8, 9). Thirty-eight percent of all male youth and 32 percent of all female youth experience no unemployment in the four years after leaving school. Yet 44 percent of male high school graduates and 42 percent of female graduates have no unemployment. For whites the percentage of youth who have no unemployment is 47 for males and 43 for females. Hispanic females are similar to whites, but for Hispanic males only 37 percent have no unemployment. However, disproportionately fewer black high school graduates have no unemployment, compared to all youth. This disproportion holds among males and females alike.

Outcomes of Youth Unemployment

Many non-college-bound teenagers are experiencing greater amounts of unemployment in making the transition to the labor force in the early 1980s than in earlier periods, but will those who experience the most unemployment now earn less in subsequent years because of their unemployment? A number of researchers have recently examined this question. Unemployment during the teenage years can have a "scarring" effect on earnings if prolonged periods of joblessness, both in school and in the post-school transition period, reduce total work experience and thus delay the process of acquiring specific on-the-job skills. Less work experience may also reduce the amount of an individual's general training, especially if formal training programs are offered by companies or unions, and less training in turn reduces subsequent earnings. Long-run earnings may also be reduced if employers alter hiring decisions in response to a youth's prior employment history. Believing that a history of little or no unemployment implies high levels of future individual productivity, employers may offer higher wages to youth with stable employment records. Finally, early unemployment of long duration could affect a young person's work attitudes and level of motivation for relatively long periods of time, if unemployment is reinforced by a continuing lack of success in the labor market.

Estimating whether scarring has actually occurred is not easy. Longitudinal data which follow the same individuals over a number of years are a prerequisite. Even when longitudinal data make it possible to observe youth with long periods of unemployment early in their careers and lower wages several years later, we cannot be certain that the unemployment caused the lower wages. Other factors—e.g., low education—may be causing both the high levels of early unemployment and the lower subsequent wages. Fortunately, a variety of statistical techniques can be used to try to account for these other factors, particularly if longitudinal data are used.

Results of studies about scarring are mixed. On the one hand, some studies have shown that a lack of work experience in the first few years following school completion reduces later wages (Ellwood, 1982; Meyer and Wise, 1982). Ellwood finds that each year of work experience is associated with a subsequent 10-20 percent increase in wage rates at the end of four years. Unfortunately these studies do not test how long wage differentials persist nor do they associate differences in wages with early unemployment or specific patterns of job changing and unemployment.

The one study which does analyze wages over a longer period of time (8-10 years) and associates them with several patterns of early unemployment concludes that in the case of non-college bound male teenagers, many patterns are not associated with lower subsequent wages (Becker and Hills, 1983). Long-run wages are actually higher when there is some early unemployment that is of short duration and associated with changes of jobs, particularly for blacks. Some period of unemployment may be associated with job shopping and a better match of individual skills with job requirements.

The studies of the long-run effects of early unemployment could not be conclusive. Most rely on the young men's cohort of the NLS, which was started in 1966

(Becker and Hills, 1980 and 1983; Ellwood, 1982; Osterman, 1980; Stevenson, 1978). These studies measured early unemployment in the late 1960s and early 1970s, when youth labor markets were very different from those of the 1980s, and they apply almost exclusively to men. A single study of young women, based on the 1968 young women's cohort of the NLS, examined the effects of early non-employment on subsequent earnings, but it did not consider the effects of unemployment (Corcoran, 1982). The costs of not working in the post-school period were observable even ten years later; a two-year period without work lowered women's wages from 3 to 5 percent.

Long-term scarring from unemployment may occur only when unemployment rates are high and durations are long. In 1969, rates of unemployment, even for non-white youth, were considerably lower than they became later, in the early 1980s. The unemployment rate for non-white male teens age 16 and 17 was 25 percent in 1969 whereas in the early 1980s the rate exceeded 40 percent (Employment and Training Report, 1983, Table A-30).

Objectives of the legislation being considered by your committee can be viewed in both short- and long-run contexts. In my testimony I have focused on potential long-run effects, but other recent work with NLS data sketches an important picture of in-school youth employment. In-school employment may possibly set the stage for the post-school transition period (D'Amico and Baker, 1984). To summarize briefly, the work experience of minority youth while they are still in school is substantially less than that of white youth. In grade eleven, 29 percent of minority young men worked for at least half the school year (i.e., the nine-month period when school was in session), averaging 13 hours per week among those who worked, but 49 percent of whites worked half the school year and averaged 15 hours per week. By grade twelve, hours per week rose slightly for employed minorities and whites alike, but the difference in employment patterns between minorities and whites persisted—37 percent of minority young men in grade twelve worked at least half the school year, whereas the corresponding figure for whites was 54 percent. The patterns for women differed little from those of males: in grade eleven 21 percent of the minority young women and 42 percent of the whites were employed for at least half the school year. In grade twelve the proportions were 37 and for minorities and 54 for whites.

The proposed Youth Incentive Employment Program is designed to provide work experience and additional schooling for groups of teenagers who will encounter the most difficulty in the transition from school to work. Relative to other groups, blacks clearly have experienced the highest and most prolonged unemployment after leaving school, and have had the least work experience while in school. Even blacks who have graduated from high school experience relatively high and prolonged unemployment.

Although lack of work experience while in school and insufficient schooling are entirely consistent with the patterns of high unemployment shown by NLS data, little work experience and poor schooling are not the only possible explanations for chronic unemployment. A central issue is whether high school dropouts are merely high school graduates with less education. If dropouts differ in other ways, education and work experience programs directed at dropouts will have to address the ways in which they differ. For example, dropouts may have lower levels of self-esteem which persist even when they return to school. The data as presented here do not speak directly to such issues. However, NLS data may be used to explore these issues in depth, and we will be happy to provide this committee with any further information it may request. Thank you.

Table 1
Percent of 16 to 19 Year Olds Out of School

(sample size; population size in parentheses)

Year left school	Males			Females		
	Hispanic	Black	White and Other	Hispanic	Black	White and Other
1978	32.2 (164; 165,000)	26.8 (221; 301,700)	25.8 (627; 1,770,800)	38.4 (165; 194,00)	25.3 (200; 297,200)	28.8 (618; 1,915,100)
1979	30.1 (147; 158,000)	28.6 (202; 321,500)	25.5 (462; 337,300)	38.8 (167; 198,600)	28.6 (223; 1,063,600)	27.3 (539; 1,815,200)
1980	38.3 (201; 215,900)	30.8 (250; 353,500)	27.8 (519; 1,811,100)	38.5 (198; 197,800)	26.8 (217; 310,600)	29.8 (577; 1,950,900)
1981	38.2 (167; 190,700)	31.1 (215; 308,800)	25.5 (456; 1,516,500)	38.5 (174; 176,000)	26.8 (184; 258,709)	32.3 (531; 1,887,900)

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[1] Age as of May 1 of given year. Respondents left school prior to May 1 of a given year. School leaving is defined as not having returned to school for at least one year after May 1 of the given year.

Table 3
Labor Force Characteristics of Youth 16 to 19 Years Old,[1] Who Left School Between May 1, 1977 and April 30, 1978, by Sex and Schooling: 1978-1981[2]

	Percent with at least one week unemployment in the calendar year		Percent with at least six months unemployment in the calendar year		Percent with at least one week participation in the calendar year		Percent with at least six months participation in the calendar year		Average weeks unemployed in the calendar year		Average weeks worked in the calendar year	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
1978												
High school dropout	60.2	55.7	13.4	4.0	91.0	70.2	72.7	42.6	9.56	5.44	29.2	14.9
High school graduate	28.3	37.0	1.1	3.0	99.6	85.2	98.6	80.2	2.83	4.19	46.2	36.0
Total	37.5	41.6	4.3	3.6	97.6	80.6	91.7	71.0	4.38	4.50	41.7	30.8
1979												
High school dropout	57.5	46.4	14.3	1.7	96.0	78.8	87.0	48.9	7.92	4.51	34.1	20.4
High school graduate	19.9	35.7	2.2	1.4	99.5	93.3	98.6	82.2	2.06	2.63	47.9	37.5
Total	29.8	38.4	6.4	1.5	98.8	89.7	95.6	74.0	3.86	3.09	44.3	33.3
1980												
High school dropouts	65.5	44.6	10.6	3.8	96.6	76.4	83.1	47.8	9.20	4.39	32.8	19.4
High school graduate	32.0	22.0	1.0	1.3	99.5	91.7	95.0	78.9	3.11	1.81	45.8	37.9
Total	40.8	27.6	3.6	1.9	98.8	87.9	91.9	71.3	4.74	2.45	42.0	33.3
1981												
High school dropout	58.8	43.6	12.7	4.8	93.3	72.3	74.0	41.3	9.97	5.22	29.9	16.1
High school graduate	27.2	26.2	5.2	2.6	99.8	90.8	95.7	72.4	3.55	2.46	45.4	36.9
Total	35.4	29.7	7.3	3.1	98.1	86.5	90.3	64.8	5.24	3.14	41.3	30.4

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[1] Age 16 to 19 as of May 1, 1978.

[2] Sample sizes (population representation) are: a) high school dropouts—94 (197,200) males, 89 (207,600) females; b) high school graduates—137 (534,000) males, 189 (633,400) females.

Table 3
Labor Force Characteristics of Youth 16 to 19 Years Old[1] Who Left School Between May 1, 1978 and April 30, 1979, by Sex and Schooling: 1979-1981[2]

	Percent with at least one week unemployment in the calendar year		Percent with at least six months unemployment in the calendar year		Percent with at least one week participation in the calendar year		Percent with at least six months participation in the calendar year		Average weeks unemployed in the calendar year		Average weeks worked in the calendar year	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
1979												
High school dropout	64.9	57.8	9.3	3.6	95.5	85.0	83.3	52.8	8.53	5.82	31.9	19.9
High school graduate	38.2	38.5	2.6	5.8	99.7	97.8	95.9	85.9	3.41	4.27	45.1	38.4
Total	44.5	41.8	4.7	5.3	98.5	94.7	92.2	76.9	4.89	4.64	41.3	34.0
1980												
High school dropouts	61.8	67.2	12.6	9.1	96.5	86.4	81.8	47.4	8.36	7.58	31.9	17.7
High school graduates	38.6	27.3	9.8	4.0	99.9	94.9	96.1	86.1	5.77	3.26	43.8	39.2
Total	45.3	40.6	10.0	5.2	98.9	92.6	93.4	76.8	6.53	4.30	40.8	34.0
1981												
High school dropouts	64.2	58.6	13.9	4.8	94.9	74.8	81.9	48.8	10.18	5.96	31.8	16.7
High school graduates	30.9	27.7	6.4	4.7	99.5	92.5	98.8	80.9	4.60	3.52	45.1	38.1
Total	40.5	33.2	8.6	4.7	98.2	88.2	93.9	72.7	6.18	4.10	41.1	32.9

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[1] Age as of May 1, 1978.

[2] Sample size (population representation in parentheses): a) high school dropouts - 122 (267,000) males, 112 (234,100) females; b) high school graduates - 187 (657,300) males. 248 (711,600) females.

Table 4
Labor Force Characteristics of Youth 16 to 19 Years Old[1] Who Left School Between May 1, 1979 and April 30, 1980, by Sex and Schooling: 1980-1981[2]

	Percent with at least one week unemployment in the calendar year		Percent with at least six months unemployment in the calendar year		Percent with at least one week participation in the calendar year		Percent with at least six months participation in the calendar year		Average weeks unemployed in the calendar year		Average weeks worked in the calendar year	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
1980												
High school dropout	66.6	53.2	16.8	6.9	96.6	80.1	68.4	46.4	10.8	5.98	24.7	18.8
High school graduate	40.6	33.0	6.5	2.3	98.3	93.9	87.6	83.9	5.30	4.80	38.0	36.5
Total	49.7	43.0	10.1	5.0	96.4	90.2	80.0	73.9	7.25	5.11	33.3	31.0
1981												
High school dropout	64.0	53.8	16.6	5.9	98.2	80.0	87.8	56.7	10.9	6.50	31.4	21.2
High school graduate	39.3	36.1	7.5	4.0	98.8	94.0	94.9	81.9	5.48	3.52	40.9	37.2
Total	48.2	38.0	10.7	4.5	98.7	90.3	92.4	75.2	7.39	4.31	37.6	33.0

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[1] Age as of May 1, 1980.

[2] Sample size (population representation in parentheses): a) high school dropouts—196 (377,500) males, 143 (322,500) females; b) high school graduates—216 (697,000) males), 291 (892,400) females.

Table 5

Labor Force Characteristics by Sex, Race, Schooling and Number of Years Since Leaving School: All 16 to 19 Year Old Cohorts from Tables 2,3 and 4[1]

Years since leaving school	Percent with at least one week unemployment in the calendar year			Percent with at least six months unemployment in the calendar year			Percent with at least one week participation in the calendar year			Percent with at least six months participation in the calendar year			Average weeks unemployed in the calendar year			Average weeked worked in the calendar year		
	Hispanic	Black	White & Others	Hispanic	Black	White & Others	Hispanic	Black	White & Others	Hispanic	Black	White & Others	Hispanic	Black	White & Others	Hispanic	Black	White & Others
First year																		
High school dropout																		
Male	72.4	80.8	84.3	12.0	20.8	11.8	94.2	90.5	96.8	74.5	67.5	78.1	9.62	12.4	9.06	26.8	20.8	30.4
Female	40.4	62.3	55.5	1.4	13.8	3.5	67.4	72.2	82.1	40.3	29.1	52.7	3.28	9.70	5.15	16.1	7.86	20.8
High school graduate																		
Male	44.8	61.2	32.5	4.1	9.3	3.0	97.4	97.3	98.6	85.4	88.6	94.6	5.51	8.28	3.27	38.0	35.7	43.9
Female	37.2	55.6	35.6	5.9	11.1	4.2	88.0	91.9	96.2	66.3	67.6	86.5	4.35	6.10	3.97	28.3	26.0	38.9
Second year																		
High school dropout																		
Male	68.3	84.2	60.5	15.6	24.4	11.7	97.0	92.7	98.4	70.3	74.5	90.2	10.5	13.2	8.01	29.9	23.4	35.3
Female	35.9	58.4	57.3	3.5	10.2	4.8	71.8	76.8	83.7	46.1	36.6	56.3	3.19	8.47	6.10	19.4	11.1	22.2
High school graduate																		
Male	34.6	60.4	30.3	2.0	13.9	5.8	98.8	98.6	99.6	89.9	86.4	96.6	3.09	10.2	4.00	42.8	33.7	45.1
Female	37.3	45.5	31.5	5.2	11.4	2.0	94.0	93.9	94.2	69.3	72.5	85.5	3.00	6.81	2.70	30.8	30.3	39.3

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[1] Sample sizes (population representation in parentheses) are: a) high school dropouts - 98 (194,100) Hispanic males, 123 (175,400) Black males, 190 (564,200) White and Other males, 80 (76,800) Hispanic females, 90 (135,300) Black females, 174 (552,800) White and Other females; b) high school graduates - 77 (90,000 Hispanic males, 114 (185,880) Black males, 349 1,625,400) White and Other males, 80 (97,600) Hispanic females, 171 (259,000) Black females, 475 (1,909,400) White and Other females.

Table 6
Distribution of Unemployment Weeks from 1978 to 1981: Youth 16 to 19 Years Old Who Left School Between May 1, 1977 and April 30, 1978[1]

Number of Weeks	Males		Females	
	Percent	Cumulative Percent	Percent	Cumulative Percent
0	38.0	38.0	31.7	31.7
1-4	12.0	50.0	17.3	49.0
5-12	11.1	61.1	17.4	66.4
13-26	14.1	75.5	17.7	84.1
27-52	11.8	87.3	9.5	93.6
53-104	11.2	98.5	5.6	99,2
105+	1.5	100.0	.8	100.0

[1] Sample size: same as Table 2.

Table 7
Percent of Population Accounting for Accumulated Weeks of Unemployment over Four Years by Sex[1]

Percent of Population	5	10	20	40	60	100
Percent Unemployment Weeks						
Male 1978 cohort	29	45	70	94	100	100
Female 1978 cohort	31	48	70	92	100	100

[1] Sample size: same as Table 2.

Table 8
Percent of Youth with Selected Characteristics Who Fall in Highest and Lowest Unemployment Groups
All School Leaver Cohorts: Male[1]

	Highest 20% of Weeks of Unemployment	Zero Unemployment (Lowest 38%)
High School Dropouts	34.5	17.2
Hispanic	27.2	14.4
Black	45.6	17.6
White and Other	32.4	17.6
High School Graduates	14.1	43.7
Hispanic	8.0	37.4
Black	26.4	15.1
White and Other	13.1	47.3

[1] Sample size: same as Table 5.

Table 9
Percent of Youth with Selected Characteristics Who Fall in Highest and Lowest Unemployment Groups
All School Leaver Cohorts: Female[1]

	Highest 20% of Weeks of Unemployment	Zero Unemployment (Lowest 32%)
High school dropouts	29.2	19.1
Hispanic	17.3	36.5
Black	42.2	10.2
White and Other	27.8	18.8
High school graduates	17.2	41.5
Hispanic	14.0	43.5
Black	33.6	28.0
White and Other	15.3	43.2

[1] Sample size: same as Table 5.

References

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Mr. HAWKINS. Thank you, Dr. Hills.

On page 9 in the paragraph at the bottom, you state, "To summarize briefly, the work experience of minority youth while they are still in school is substantially less than that of white youth." Do you have any explanation of why that should be? One would expect that minority youth would probably have more of a necessity to work while in school.

Mr. HILLS. There are several potential explanations that have been advanced. One is that the types of jobs available in the neighborhoods in which youth reside are not the same in the composition of jobs. Minority youth in their teens, especially when they are in school, after all, do not choose where they live. In most instance, they live where their parents happen to be living and quite often the transportation from various neighborhoods to other neighborhoods is not what it might be.

The second possibility is that there may simply be some forms of discrimination in employment that are at work here from the very beginning. It is hard to piece together the evidence to test those propositions completely, but we do know from these data, that the types of jobs that minorities and whites tend to hold are quite different.

It still begs the question a bit because you don't know what the reason for that is, but you do find that minority youth tend to have more jobs that are associated with the schools in which they are enrolled; minority youth tend to have less jobs in the wholesale/retail trade than do whites.

Some of that evidence is incorporated in a book that is just recently out, edited by Beatrice Reubins, which is an international comparison of youth employment patterns in the United States and other countries.

Mr. HAWKINS. In selecting your cohort groups, did you select individuals from various schools or did you have them from the same school? How did you select them. Wouldn't that make a difference?

Mr. HILLS. This sample was chosen by taking census data and doing the same thing that the CPS—is done for the CPS data. A national probability sample of households was selected and then teenagers within those households were then selected for interviews.

So the sampling frame are all teenagers throughout the United States, rather than picking certain schools and then sampling people in the schools. So it is a household-selected sample.

Mr. HAWKINS. Wouldn't that have made a difference as well? Your answer to the last question tended to suggest that housing patterns, for example, made a difference, and yet in your cohort group, you have made no—you took no concern of this—you had no concern, apparently, for what schools that they came from and you took a random selection, I assume, based on census data.

Mr. HILLS. That is true, but we went back to the schools that they left and collected information on their entire record of course work and we also have precise locations for the places in which they reside.

So the data can be used to obtain the information that you suggest might be important here. I simply did not do it for this particular testimony.

Mr. HAWKINS. Thank you.

Mr. Jeffords.

Mr. JEFFORDS. Thank you, Mr. Chairman.

I want to commend the doctor on very, very helpful testimony and statistical data which will be extremely helpful to us in our deliberations. I don't have any questions, Mr. Chairman.

Mr. HAWKINS. Thank you.

Mr. Corrada.

Mr. Martinez.

Mr. MARTINEZ. No questions.

Mr. HAWKINS. Mr. Williams.

Mr. WILLIAMS. Thank you, Mr. Chairman.

Doctor, do you have data that would indicate how the incidence and extent of general unemployment affects, first, the school dropout rate, and then the unemployment rate among those dropouts?

Mr. HILLS. Yes; that data is available and we could provide you with that particular data.

Mr. WILLIAMS. Is there a correlation? I assume the answer is yes, but how direct a correlation is there—and I realize you can't be specific because you don't have the data before you, but could you give us a notion of how direct the correlation is between difficult economic times, the school dropout rate and then the unemployment rate of those dropouts?

Mr. HILLS. That factors two things in there, the influence of the cycle, the business cycle as well, and that is particularly difficult. The study—what I will do, though, is refer you directly to the study cited in the references by D'Amico and Baker, the second reference, which deals with the nature and consequences of high school employment. A second study was presented in one of our earlier reports to the U.S. Department of Labor, which dealt specifically with the dropout issue, which was done by Michael Boris. I would be glad to send that to you. Perhaps that would be the best way to answer that problem, rather than my trying to speak to it without too much evidence at hand.

Mr. **Williams**. The committee would appreciate receiving that information.

Mr. **Hawkins**. Without objection.

[The studies referred to above appear in the appendix.]

Mr. **Williams**. Doctor, you draw a correlation, as do most data that we have seen, between unemployment rates nationally and even higher unemployment rates among minority youth.

Mr. **Hills**. Yes.

Mr. **Williams**. Now, at first glance, one would believe that the unemployment rate among these youth has to do with their minority status, but I am wondering if we could go beyond the data and find that that isn't the reason they are unemployed; the reason they are unemployed is because there is a much higher incidence of unemployment in the area in which they happen to live.

Mr. **Hills**. Certainly. There are a number of factors and the area unemployment rate is one. You also must control for the amount of education as a second. You also have to know something about how hiring is done; whether there is a cue that is based in part on the area in which a person lives and in part on the particular experience they have already obtained and all of those things besides race may be important. Even when those things are accounted for, race still is important, but not nearly as much as it was before you account for the factors you are mentioning. Definitely.

Mr. **Williams**. We find in the West, particularly in these last desperate 3 years, that our youth living in areas of high unemployment caused by the shutdowns in the mining and timber industry in Montana and Idaho, Oregon and Washington State in particular, the incidence of unemployment of the youth living in those areas, nonminority youth, by the way, most of them, follows the unemployment of the general public.

That is why we need legislation that is tied to the unemployment rate, rather than the minority status of the youth, in my judgment.

Mr. **Hills**. Good point.

Mr. **Williams**. Thank you, Mr. Chairman.

Mr. **Hawkins**. Thank you.

Mr. Hayes.

Mr. **Hayes**. I just want to commend Dr. Hills for his excellent testimony which confirms with data much of what I already knew, based on the current situation in my own district. For your information, I represent the First District in Illinois, which overall has roughly 20 percent unemployment and in excess of 50 percent among black youth. This is a district that is in excess of 92 percent black.

Much of the public housing developments in the city of Chicago are in the First Congressional District and I just saw some statistics yesterday that a statistician had labeled some of the residents—at least in one section of one of the housing developments—as being the poorest area in these whole 50 States of ours.

You did not say—maybe it was intended that way—whether or not you are supportive of H.R. 5017. I would like you also, if you could, to give me your opinion because the administration, as you well know, is pushing for a lower minimum wage.

Do you see that as an approach to increasing employment among youth or reducing unemployment among youth? I would like to have your feeling on that particular question.

Mr. HILLS. It is true that in the testimony we have not—we did not feel that the data either supported or did not support the present legislation. I think it is terribly important to look at the studies which evaluated the pilot project in 1977. These data speak only to the environment in which you are operating. So I, as a researcher, would not have a conclusion which would bear on the legislation itself unless I had been working directly on the evaluation of the pilot. So I think I would leave it at that.

The minimum wage issue—some have used our data for the study of the minimum wage problem. I myself have not been directly involved in any of those studies. One of the studies that I have found very interesting and provocative is one by Cogan, which looks at the composition of unemployment over time and suggests that part of the change in the unemployment rate has to do with residence in the South and the effects of the minimum wage as young people move from rural communities in the South into urban communities.

Now, that particular study has a rather different look at this whole minimum wage issue than some. Myself--you are not asking my personal opinion, and I haven't made a decision personally about that very complicated issue——

Mr. HAWKINS. I will talk to you about that later.

Mr. HILLS [continuing]. But since my research is not in that area, I likewise guess I am going to sidestep that.

Mr. HAWKINS. On the issue, could you load it any way you wanted to? You could answer that as a researcher, couldn't you, whether or not—let's say you wanted to test whether or not providing a subminimum wage for Polish Americans—just selecting that as a group, not for any other reason—would that not increase the employability of Polish Americans, or if you want to, let's say, provide a subminimum wage for short men rather than tall men, wouldn't that increase the employability of short men? So you could—would that in itself prove any particular point, other than Polish Americans or short men would get their employment increased by giving them some concession of this nature?

You would not as such—and this, I guess, is where the research question comes in—you would not, as such, be studying the overall effects in either case, would you?

Mr. HILLS. Yes, Mr. Chairman, I think you have brought up an excellent point of view which I will pass on to my class tomorrow. [Laughter.]

Mr. HAWKINS. Without my reference to Polish men and short people. [Laughter.]

Mr. HILLS. I repeatedly have—when I have lectured on this very thorny issue in class, have reminded my class members that we can determine what some of the effects of the change in the minimum wage might be. There is debate over what those effects might be, but in the end, it is a value judgment as to what particular benefit a person wants to achieve by using the minimum wage.

The whole discussion that Senator Kennedy went through regarding the heads of household brings to fore the difficulty involved in these particular values, and that, then, is a political question, not a researcher's question.

That is the little speech I usually give in class when the issue comes up.

Mr. **Jeffords**. Would you yield on that, Mr. Chairman?

Mr. **Hawkins**. Certainly.

Mr. **Jeffords**. I think there is also the additional question, which is the one that is debated, and that is whether you get job substitution or whether you get job creation.

Mr. **Hills**. Yes.

Mr. **Jeffords**. Certainly if you get job substitution only, then you are talking about the social, political judgment questions.

Mr. **Hills**. That is correct.

Mr. **Jeffords**. If you get job creation only, then, of course, that is a whole different situation, but I am sure that the answer is somewhere in between. It is a question of whether the damage you do to those that you substitute is offset by the additional jobs you may create for others. That is a tough question.

Mr. **Hills**. Indeed, indeed.

Mr. **Jeffords**. Thank you.

Mr. **Hawkins**. So it is a tie between Mr. Jeffords and Mr. Hayes. Thank you. [Laughter.]

Thank you very much, Dr. Hills. Your testimony has been very valuable to the committee.

The next is a youth panel and the Chair will call on Mr. Frank Slobig, project director of the Roosevelt Youth Project possibly to introduce the youth. We do have a list of names. Mr. Slobig, would you prefer that you present them or introduce them?

Thank you.

Let me say, Mr. Slobig, while you are getting your group organized, that it is a great pleasure for us to have you and your group before the committee this morning. We sometimes deal with legislation in a void without considering those who are the ones most directly affected.

It is an honor and a pleasure for us to welcome you and these young people and we look forward to your testimony. We will leave it up to you to organize it as you see fit.

Mr. **Slobig**. I think we have it very well organized, Mr. Chairman. Thank you very much.

Mr. **Hawkins**. I can see that. Perhaps you could help the State Department out. [Laughter.]

STATEMENT OF FRANK SLOBIG, PROJECT DIRECTOR, ROOSEVELT YOUTH PROJECT

Mr. **Slobig**. Congressman Hawkins, and members of the subcommittee, my name is Frank Slobig and I am the director of the Roosevelt Centennial Youth Project, a nationally focused youth employment policy and advocacy organization located here in Washington, DC.

I thank you for the opportunity to appear before you today and thank your staff for the cooperation and their assistance in making this possible.

Accompanying me are six young people representing programs like those that would be central to the successful implementation of the Youth Incentive Employment Act, and a group who collectively this morning share the heavy burden of representing the countless numbers of other young people like themselves around the country who would benefit from such a program.

Before introducing the young people themselves, whom we have asked to share their experiences with you, let me first say a few things about the Roosevelt project. It began 2 years ago in May 1982 by the Eleanor Roosevelt Institute to focus attention and stimulate action on the importance of young people's constructive participation in and service to society.

It began against the backdrop of a deeping recession with unprecedented post-depression high unemployment rates for both adults and young people. Ever since the Youth Act of 1980 failed to reach the Senate floor in the closing days of the 97th Congress, there has been a diminishing support for a comprehensive youth employment policy and an absence of new initiatives based on proven experience.

We applaud Congressman Hawkins' and Senator Kennedy's constant efforts to reverse this trend.

The project itself has had three principal goals: To develop greater awareness and deeper understanding on the part of the general public and policymakers in particular of the plight of unemployed and often ill-prepared young people; to promote specific policies and principles, legislative initiatives and program approaches that respond to the problems of youth joblessness in the school-to-work transition, and that offer young people an opportunity to serve, to work and to learn; and to foster closer collaboration and to achieve greater coherence among often disparate local and national organizations that support more responsive youth employment and training efforts.

We have incorporated a set of policy and program recommendations that are embodied in the document entitled a "Policy Blueprint for Community Service and Youth Employment," which we have submitted as a formal part of our written testimony.

It has been widely disseminated and discussed over the course of the last several months and includes the principal elements with H.R. 5017 advances. It would be a fitting memorial to the memory of Eleanor Roosevelt if this bill were enacted by the time of the celebration of her 100th anniversary of her birth in October 1984.

Mrs. Roosevelt, in her day, was deeply concerned about young people. She enjoyed them so much; she reached out to them and she listened to them for what they had to say. She worked out many of her political and ethical ideas teaching young women in a New York City high school, and later, as the First Lady, her advocacy on behalf of young people was unceasing.

In fact, 50 years ago this month, reflecting on the conditions confronting young people at that time, she said something which is equally applicable today, and let me quote.

> I have moments of real terror when I think we may be losing this generation. We have got to bring these young people into the active life of the community and make them feel that they are necessary.

In that day, the Roosevelt administration responded with the Civilian Conservation Corps and the National Youth Administration and other youth initiatives. The present administration, by contrast, has virtually abdicated any sense of responsibility for the pursuit of the problem of young jobless people.

Today, this persistent problem needs to be viewed, as the earlier witnesses have said, in both the long-term and the near-term perspective.

Thirty years ago, the percentage of employed black and white teenagers was virtually identical, but since that time, the gap has gradually widened to the point where the annualized employment data for 1983 showed that only 18 percent of black teenagers worked at all full- or part-time, compared to 46 percent of whites, this despite a much ballyhooed full year of economic upturn. In fact, the labor force participation rates of black teenagers fell to an all-time low of 36.4 percent in 1983.

Young people are jobless not because they don't want to work. The major demonstration program on which this piece of legislation is based debunked that myth conclusively. In fact, if the American taxpayers had paid $300 million for a successful research and development defense project, I wonder what the hue and cry would be to implement that on a much more extensive basis, and yet, that is what we paid for the expensive successful youth incentive entitlement pilot projects on which this piece of legislation was based.

Young people are not working primarily for two reasons: First, there simply are not enough job opportunities, especially in our inner cities and depressed rural areas where most of the minority youth are concentrated; and second, a basic lack of education and fundamental unfamiliarity with the world of work, especially among young minorities, prevent many of them from entering the labor force.

H.R. 5017 directly addresses both of these deficiencies in our present system, in a way that I might say the Job Training Partnership Act does not. In fact, a recently released first-phased study of the implementation of JTPA indicated that only 4 percent of the potentially eligible population are being served and that fewer percentage of youth, in fact, many service delivery areas and private industry councils are experiencing amazing difficulty, apparently, in enrolling the 40 percent of youth that they are required to do.

Serious doubts remain about the ability of that system to serve youth effectively and particularly to serve the most disadvantaged youth. The model that the Roosevelt Project has been advancing in our Policy Blueprint has two components: One of which, the Stay-in-School Program, closely parallels the provisions of H.R. 5017, and on the basis of extensive discussions we have had on this Policy Blueprint over the last several months, we would like to offer a few considerations that are applicable to H.R. 5017.

First, we feel that a more clearly defined Federal role should include the resources and ability to provide or to support the provision of technical assistance program evaluation and dissemination of best practices. We would recommend that the committee consider perhaps one-half of 1 percent Federal set-aside to support such activities.

Second, we question the advisability of bypassing the States when other efforts are made in the bill to conform to or coordinate with provisions of the Job Training Partnership Act. The fact that a significant portion of JTPA resources and other possible match money are State-controlled argues for consideration of a State tie-in.

Third, we would argue that the required match in the bill be strictly a cash and not an in-kind match and that a definite portion of that be non-Federal, perhaps one-half of the required 20 percent. The experience of the Washington State Service Corps, where a 25-percent local cash match against State funds is required has shown that local agencies and organizations have a much greater sense of ownership and buy into the system.

Fourth, that greater flexibility in the allowable work hours during the school year might increase the likelihood of attracting dropouts as might a higher upper age limit.

Finally, we would ask you to consider an incentive grant scheme to encourage local jurisdictions to target a portion of their summer youth employment program funds in a combined remedial education work experience for 14- and 15-year-olds identified as already 1 year or more behind in school or functioning below grade level.

Mr. Chairman and members of the committee, let me now introduce our panel of young witnesses individually, all of whom would be potential beneficiaries of H.R. 5017, and whose very situations and personal experiences reflect the complexity of the problem that this bill must address.

First, I would like to introduce to you Mr. Juan Valdez, who is a resident of the District of Columbia, who attends the Multi-Cultural Career Intern Program, which is a fascinating alternative educational school located right here in the District of Columbia that I would encourage all of the members of the committee at some point to visit. It was a program that was initiated under the Youth Employment Demonstration Projects Act that Senator Kennedy referred to earlier, and it is one that has survived through thick and thin with great difficulty, but presently serves about 250 young men and women, almost all of whom are relatively recent immigrants from non-English-speaking backgrounds.

Juan.

STATEMENT OF JUAN VALDEZ, MULTI-CULTURAL CAREER INTERN PROGRAM, WASHINGTON, DC

Mr. VALDEZ. Good morning, Chairman, and members of the committee.

My name is Juan Valdez and I am a junior at MCIP and have been involved in a computer skill training program. I want to be an engineer in the future.

At MCIP, there are students from many parts of the world, their age ranging from 16 to 21. Twenty percent of these students are here alone, paying rent, food and clothing for themselves, but can't both work and study.

So the only alternative is to drop out of school to work. The same with native-born Americans. They may have dropped out of school because they had financial problems. Many of these young people can't get a job because they don't have the skill or the high school diploma. So they resort to stealing.

With the help of you and schools like MCIP and programs such as Roosevelt Centennial Youth Project, Rosa Parks Group Home, Jobs for Youth, and New Horizons, these students have been given the hope and the help to get the skills and a job in the area of work that they like. Once they have this job, they consider going back to school to get their diploma, but if not, they have their skills and do not have to steal for a living.

Thank you.

Mr. SLOBIG. Our second youth witness is Ms. Jeannette Ferrell, who is also a District of Columbia resident, who is presently living in a Rosa Parks Group Home, which is part of the Sasha Bruce Neighborhood House network. She is presently attending a GED program, having dropped out of a D.C. school, and would like to share some of her experiences with us.

Jeannette.

STATEMENT OF JEANNETTE FERRELL, ROSA PARKS GROUP HOUSE, WASHINGTON, DC

Ms. FERRELL. Good morning. My name is Jeannette. I am a resident at Rosa Parks. I was enrolled in regular school and at first, I wasn't going. Since being at Rosa Parks, I have been able to participate in the Youth Employment Agency which helped me get a temporary job so I could get some work experience.

I am now enrolled at the Lerning Opportunities Center, which is an alternative school that is now preparing me for my GED and also helping me work with computers. I also was lucky enough to get a job through the D.C. After School Job Program. I work at a day care center for 2 hours a week.

In order to keep this job, I also have to attend school. It is good that this job only last 10 hours a week, because that gives me enough time to do my studying so I can do well in school.

I am planning on finishing my education and hopefully training in the computer field.

Thank you, and I hope this bill can give other kids the opportunity I have.

Mr. SLOBIG. Next, I would like to introduce Mr. Stephen Cruzado from Manhattan, from New York City. Stephen benefited from a program at Jobs for Youth in New York City after having dropped out of school. He has since gotten his GED and I think is on the road to a long and successful career in the future.

Stephen.

STATEMENT OF STEPHEN CRUZADO, JOBS FOR YOUTH, NEW YORK

Mr. CRUZADO. My name is Stephen Cruzado and I am 19 years old. I reside in New York City. Jobs for me is really jobs for America because my generation is going to be building and making up your and our America of the future.

If America means anything at all, it means that the spirit of liberty and the spark of hope must be kept alive in each generation, for each part of America, for each of us. Congress, to me, is the link between my hope and the realization of that hope. America means hope for the youth, for the disenfranchised, for minorities, as well as for all the rest of us.

Jobs for Youth helped me in many ways. For example, they helped me get back on my feet when I left school. Before I went to Jobs for Youth, I was under a great deal of pressure; pressure from my parents, pressure from my peers, and pressure from myself.

I attended the educational services at Jobs for Youth for awhile until I obtained employment. After that, I attended a computer program similar to Jobs for Youth. There, I studied and obtained my equivalency diploma in July of 1983. I also learned and operated the IBM display writer for 6 months.

I called Jobs for Youth and told them of my progress. They arranged an interview for me with a law firm. I am now employed with Claude Castro, a member of the Jacob D. Fuchsberg law firm in New York City, one of the most prestigious law firms in the State of New York.

I have been employed with Mr. Castro since October of 1983. Mr. Castro and his secretary, Annette, are two of the best employers I have ever had. I enjoy the work I do for Mr. Castro and every day, Mr. Castro has given me more and more responsibilities in my job as legal clerk.

For example, since employed with Mr. Castro, I have obtained my process server's license; I have filed papers in court; adjourned cases; and kept track of his legal calendar. I also do all the filing in the office.

I have learned much about the law. I plan to pursue an undergraduate degree and may go on to attend law school.

Of course, Jobs for Youth opened the door to my fulfilling my everyday work. I have earned a great deal of respect for myself and from others. I cannot emphasize the importance of this issue.

Programs of these types are needed, and I hope my testimony here today will encourage you to support us and others that may be in my position.

Thank you.

Mr. SLOBIG. Next, I would like to introduce Ms. Keesha Marshall, from the District of Columbia. She was born in Brooklyn, but lives here in the District. She also dropped out of a D.C. school in the 10th grade and is presently enrolled at a program at the Center for Youth Services. Keesha would like to share some things with us.

STATEMENT OF KEESHA MARSHALL, CENTER FOR YOUTH SERVICES, WASHINGTON, DC

Ms. MARSHALL. Good morning, members of the panel. My name is Keesha Marshall. I am 17 years old and I am currently a member of the Center for Youth Services. I got involved with the Center for Youth Services in September 1983 because I came back from Brooklyn, NY, with no school papers to attain my 10th grade year at Anacostia Senior High School. I took advantage of the different services at the Center for Youth Services.

There they have helped over 65 people a day. The services include education, employment training, counseling, recreational activities, medical assistance, and family planning. I have recently received a certificate for an employment training program, which is to me the most important part of the center.

I have really benefited from the preemployment class. It helped me learn the different skills you need to achieve and maintain a job.

Probably if we had the support of others there, there could be more jobs for myself and other youth of today. I am so glad I could take this program because I have learned a whole lot about planning for my future, setting my goals, getting a good education, and how to care for myself and how to prepare for a job, something I could not have done before being in this program.

Therefore, after this preemployment class, we need more work experience and primarily jobs by trying to finish our education. Deep down inside, I say to myself, "I am glad that there is a program that young people my age, older, younger, can turn to that could get education with different types of services that the center needs to provide for others like me."

Thank you.

Mr. SLOBIG. I would now like to introduce Mr. Rafael Sanchez from the Lower East Side of Manhattan. Rafael is 2 weeks shy of his 18th birthday and one of the things that Rafael shared with us yesterday was the fact that after years and years of frustration in being passed on year after year in both parochial and public high schools in New York City, only recently was it determined that at the root of most of his difficulties in learning in school was the fact that he is dyslexic.

Rafael would like to share with us some of this thoughts and experiences this morning.

STATEMENT OF RAFAEL SANCHEZ, HENRY STREET SETTLEMENT HOUSE, NEW YORK

Mr. SANCHEZ. Hello, my name is Rafael Sanchez and I am from Manhattan. I come from the Youth Employment Service. Our program is called On Target. It has given me more than hope because I know there is somebody out there that really could help us in these special programs. It has given me skills. It has given me confidence. It has given me help and jobs, and most of all, I enjoy doing it.

One problem I have is dyslexia. I can't really get a job that is associated with reading because of my problem. I had to quit school because of that problem I had.

Now I am planning to go back to school because they might get me into this special program, but I can't afford to get into it because it costs so much money for 2 or 3 hours a day. That is what is really causing the problem. If I didn't have the problem, I would have just been in school, but that is what caused me to drop out of school.

Thank you.

Mr. SLOBIG. Finally, I would like to introduce Ms. Armeta Blackwell, from Richmond, VA. Armeta is in a school-based program in Richmond in the public high schools in Richmond called the New Horizons Program, which was a pilot project that was started with seed money from the Edna McConnell Clark Foundation and now has spread into some 18 different locations around the country.

Armeta.

STATEMENT OF ARMETA BLACKWELL, NEW HORIZONS PROJECT, RICHMOND, VA

Ms. **BLACKWELL.** Good morning, Congressman Hawkins, and members of the subcommittee. I am proud to be a representative of the New Horizons Program in Richmond, VA. I am also proud because I am finishing up this program, completing my graduation, at Marshall Walker High School in Richmond.

This program has helped me in many ways. It has helped me gain a sense of independence that I never had before. It has also helped me to gain employment at the Reynolds Metal Co., which is located in Richmond.

Before that time, and without the help of the New Horizons Program, I was told that there was no vacancies or employment opportunities there because of my age and because I was not a high school graduate. New Horizons helped me get that job, and because of New Horizons, I am a potential employee after graduation in the summer of 1984.

Thank you.

Mr. **SLOBIG.** Mr. Chairman, let me make just one final comment. These six in many respects are the fortunate few. They represent countless numbers of others in their own local communities who simply don't have the benefit of access to the kinds of programs that they have, in part because those programs historically have been run in many places by local community-based organizations that are dying on the vine. They have dropped in community after community, both in terms of their level of ability to be able to provide services, or even in terms of whether they exist.

We thank you very much and the young people would certainly be receptive to any questions that you would like to address to them.

[Prepared statement of Frank J. Slobig follows:]

PREPARED STATEMENT OF FRANK J. SLOBIG, PROJECT DIRECTOR, ROOSEVELT CENTENNIAL YOUTH PROJECT, WASHINGTON, DC

Congressman Hawkins and members of the Subcommittee, my name is Frank Slobig and I am the director of the Roosevelt Centennial Youth Project, a nationally focused youth employment policy/advocacy organization located here in Washington. I thank you for the opportunity to appear before you today. Accompanying me are six young people representing programs like those that would be central to the successful implementation of the Youth Incentive Employment Act (HR-5017).

Let me first say a few words about the Roosevelt Project, before introducing each of the young people whom we have asked to share their experiences with you. The project was initiated in May, 1982, by the Eleanor Roosevelt Institute to focus attention and stimulate action on the importance of young people's constructive participation in and service to society. It began against a backdrop of a deepening recession with unprecedented post-Depression high unemployment rates for both adults and young people.

Ever since the Youth Act of 1980 failed to reach the Senate floor in the closing days of the 97th Congress, there has been diminishing support for a comprehensive youth employment policy, and an absence of new initiatives based on proven experience. We applaud Congressman Hawkins' constant efforts to reverse this trend. The three principal goals of the Roosevelt Project have been:

- To develop greater awareness and deeper understanding on the part of the general public, and policymakers in particular, of the plight of unemployed and often ill-prepared young people.
- To promote specific policies and principles, legislative initiatives and program approaches that respond to the problems of youth joblessness and the school-to-work transition, and that offer young people an opportunity to serve, to work and to learn.
- To foster closer collaboration and to achieve greater coherence among often disparate local and national organizations that support more responsive youth employment and training efforts.

Our policy and program recommendations are embodied in a document entitled a Policy Blueprint for Community Service and Youth Employment, which we are pleased to submit as part of our formal written testimony. It has been widely disseminated and discussed and includes the principal elements which HR-5017 advances. It would be a fitting memorial to the memory of Eleanor Roosevelt, if this bill were enacted by the time of the celebration of the 100th Anniversary of her birth in October of 1984.

Mrs. Roosevelt in her day was deeply concerned about young people. She enjoyed them so much, reached out to them and listened to what they had to say. She had worked out many of her political and ethical ideas teaching young women in a New York City high school. Later as the First Lady her advocacy on behalf of young people was unceasing. Fifty years ago this month in May of 1934, reflecting on the conditions confronting young people at that time, she said something which is equally applicable today.

> "I have moments of real terror when I think we may be losing this generation. We have got to bring these young people into the active life of the community and make them feel that they are necessary."

The Roosevelt Administration responded in its day with the Civilian Conservation Corps and the National Youth Administration. The present Administration has abdicated all responsibility.

Today the persistent problem of youth unemployment needs to be viewed in both a long term and near term perspective. Thirty years ago the percentage of employed black and white teenagers was almost identical. Since then the gap has been gradually widening to the point where the annualized employment data for 1983 showed that only 18% of black teenagers worked full or part-time compared to 46% of white teenagers.

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The labor force participation rate of black teens fell to an all time low of 36.4%. Young people are jobless not because they don't want to work. The major demonstration program, on which the Youth Incentive Employment Act is based, debunked that myth conclusively. They are not working primarily for two major reasons. First, there are simply not enough job opportunities, especially in our inner cities and depressed rural areas, where minority youth tend to be concentrated. Second, a basic lack of education and fundamental unfamiliarity with the world of work, especially among minorities, prevent many young people from entering the labor force. HR-5017 directly addresses both of these deficiencies in our present system.

The model that the Roosevelt Project has been advancing in our Policy Blueprint has two components, one of which, The Stay-in-School Program, closely parallels the provisions of HR-5017. On the basis of extensive discussions we have had on the Policy Blueprint we would like to offer a few considerations that are applicable to HR-5017.

o A more clearly defined federal role should include the resources and ability to provide or to support the provision of technical assistance, program evaluation, and dissemination of best practices. We would recommend a 1/2 of one percent federal set aside to support such activities.

o We question the advisability of by-passing the states when other efforts are made in the bill to conform to or coordinate with provisions of the Job Training Partnership Act (JTPA). The fact that a significant portion of JTPA resources and other possible match money are state controlled argues for a state tie in.

o We would urge that the required match be strictly cash and not in-kind and that a definite portion be non-federal, perhaps one-half of the required 20%. The experience of the Washington State Service Corps where a 25% local cash match against state funds is required has shown that local agencies and organizations have a much greater sense of ownership.

o Greater flexibility in allowable work hours during the school year may increase the likelihood of attracting drop-outs, as might a higher upper age limit.

- o Finally, we would ask you to consider an incentive grant scheme to encourage local jurisdictions to target a portion of their Summer Youth Employment Program funds in a combined remedial education/work experience for 14 and 15 year olds identified as already a year or more behind in school or functioning below grade level.

Let me now introduce our panel of young witnesses, all of whom would be potential beneficiaries of HR-5017 and whose varied situations and experiences reflect the complexity of the problem we must address.

JUAN VALDEZ

Juan is 17 years old in his junior year at the Multi-Cultural Career Intern Program (MCIP) in Washington, D.C. He is the President of the Student Government at MCIP. He was born in Mexico and is now completely bi-lingual. Juan has been getting good grades, is involved in an after school computer science skill training program and has a goal of becoming an engineer some day.

The Multi-Cultural Career Intern Program is an alternative bi-lingual, multi-cultural high school established in 1979 under a federal Department of Labor grant to meet the educational, career employment and supportive service needs of limited English speaking minority youth between the ages of 16 and 21. While it started out to serve primarily Hispanics, it now has students from 25 different cultural and language backgrounds, including many African countries, Central and South America, Mexico, The Caribbean islands, Southeast Asian and other Asian countries as well as the United States.

MCIP has an excellent working relationship with the Private Industry Council and also receives some funding from the federal Departments of Education and Labor as well as various foundations.

JEANNETTE FERRELL

Jeannette at 16 lives in the Rosa Parks Group Home in Washington, a part of the Sasha Bruce Neighborhood Homes Program. She came there two and a half months ago and now shares the home with eight other girls ages 12 to 18. She attends a GED school half the day where she is learning to work on computers and is doing well. In the afternoons she works two hours each day at a day care center. When given her choice of office work or working at the day care center, she decided on the latter because she likes to work with children. She wants eventually to go into a training program for computer technicians.

Before coming to the group home, Jeannette lived with her mother and a four-year-old brother and was going to school some, but didn't like it. Now she feels the group home is helping her.

The Rosa Parks Group Home provides a long-term living situation for youth in need of supervision in a structured family-type situation, but with 5 counselors instead of a couple working with the young people. They receive individual and family counseling, school and court advocacy, get work experience and a job, and go back to school.

The Sasha Bruce Neighborhood program has a runaway house, a home for teen-aged mothers and their children, an outreach program for teen-aged mothers, the Consortium for Youth Alternatives which works with first-time offenders, the Community Advocacy for Youth which works with multiple offenders, and a Youth Employment Program with outreach that works with young clients from all of its programs. It depends for funding on the D.C. Department of Human Services, the federal Department of Health and Human Services, the Neighborhood Planning Councils, the United Way, and foundations.

STEPHEN CRUSADO

Stephen is 19 years old and has grown up in New York City. Both of his parents are from Puerto Rico, and his father is still there. He lives with his mother, stepfather, two brothers, and a younger sister.

Stephen, bored with school and into trouble, left high school in the 11th grade. He heard from a friend about Jobs for Youth, which is a 25-year-old program that gives school dropouts job readiness training, individualized educational help, couseling, and placement in unsubsidized entry-level private sector jobs, and follows up their progress in those jobs.

Stephen chose their voluntary educational component, persuaded by this time that he needed to go on with his education, and was also placed in a job at a photo shop. He left that job for another at a printing shop and subsequently left Jobs for Youth to enter a skills training program. While he got his GED in the training program, he credits Jobs for Youth with helping him realize the need to continue his education and helping him renew that process. After he completed the skills training program, he returned to Jobs for Youth and was placed in a job as a messenger with a law firm. He has now advanced and is doing legally related work.

KEESHA MARSHALL

Keesha is a 17 year old resident of Washington who, although born in Brooklyn, New York, has lived here since she was three with her grandmother. She was in a special program last year and arrived back too late to re-enter the 10th grade at Anacostia High School, and so she entered the Center for Youth Services. She wanted to keep her skills up, in preparation for going back to Anacostia High School next fall. Meanwhile, she has graduated from the pre-employment training program at the Center, where she learned job search skills, and she will start a part-time job this week. In addition to the pre-employment training, she has had tutoring and work to improve her basic skills, and she is now in the pre-GED program. She likes the program better than the public school, and describes it as real friendly. It is based on the person's own abilities, she says, and makes you strive for yourself "without anybody being on your back. It makes you grow up a little bit."

The Center for Youth Services employment program also has a mental health component, medical program, family planning program, martial arts, and modeling. The Center has served 1034 young people in the last two years, averaging 65 a day. In its day care program it has 6-8 babies a day, because many of its young clients are single parents. The program also serves those who have drug problems.

RAFAEL SANCHEZ

Rafael is almost 18 and a resident of the Lower East Side of Manhattan. He is technically enrolled in a New York City high school but has not been attending classes. He was only recently diagnosed as being dyslexic after being passed along from one frustrating year to the next. He is presently enrolled in the Act Together program at the Henry Street Settlement House.

Henry Street Settlement has served the Lower East Side for 90 years. Its Act Together Program is an open-entry open-exit job simulation approach, in which about 20 high risk young people at a time are involved in a series of hands-on occupational workshops. Rafael is presently making summer shirts in a sewing workshop, wooden toys in a carpentry workshop, and learning a variety of technical skills in a video workshop. The goal of the workshops is to help the young people learn basic work skills before seeking regular employment.

ARMETA BLACKWELL

Armeta, who is 17, lives with her mother, a single parent who is a teacher's aide in the Richmond, Virginia public schools. As an average student two years ago when she joined the New Horizons Program, she has become an excellent student with a 3.5 average as she approaches graduation this year. She has held a half-time job for the entire two years with the Reynolds Metal Company, which values her work so highly that they asked the school to give her release time for extra training in the company. She is now receiving training in CRT, data programming, and skills that the company benefits from but expects to be of value for her in her future career.

New Horizons in Richmond is a joint enterprise between private business and the public schools to prepare disadvantaged youths to meet the standards of employers by coupling jobs with education in a way which fosters the transition from school to work while forging continuing ties between the classroom and the work-place. New Horizons is the initial program in the Partnership Program, now spread to eight cities across the country. Start up money for the demonstrations has come from the Edna McConnell Clark Foundation, and now the programs have both private sector and government support under JTPA.

THE ROOSEVELT CENTENNIAL YOUTH PROJECT

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Frank J. Slobig

THE YOUTH EMPLOYMENT SITUATION: MARCH, 1984

- With the civilian unemployment rate remaining at 7.8%, nearly 9 million Americans are still out of work; 40% of them are under 25. The unemployment rate for 16-24 year olds rose to 14.4%.
- Overall teen-age unemployment rose to 19.9% in March. The marginal reduction over the last year is due almost entirely to a decline in the labor force rather than to increased employment.
- There were 55,000 more unemployed teenagers in March than in February.
- Of the nearly 5 million more jobs created in the last fifteen months of economic upturn less than 4% of them went to teenagers, who represent more than 18% of the unemployed.
- The 1983 annualized labor force participation rate of black teenagers during this period of upturn was the lowest in history, 36.4% compared to 56.9% for whites.
- Unemployment of black teenagers jumped to 46.7%, more than two and a half times that of white teens.
- Only 19.1% of black teenagers are employed compared to 48.3% of white teenagers.
- Only 5 out of every 100 black teenagers have full time jobs.
- The unemployment rate of 1983 black high school graduates (37.5%) substantially exceeds that of white high school dropouts (23.5%).
- Even the all-volunteer army is accepting only high school graduates.
- Only 36.4% of the black graduating seniors in 1982 entered colleges, a substantial decline from 43% in 1980 and 1981.
- Smaller employers, who create the vast majority of the jobs in the private sector, are least able to pay for the training of new workers.
- The overwhelming majority of new workers in the future will be women, blacks and Hispanics.

4/5/84

A Project of The Eleanor Roosevelt Institute, Hyde Park, New York

A POLICY BLUEPRINT
FOR
COMMUNITY SERVICE AND YOUTH EMPLOYMENT

Prepared by:

The Roosevelt Centennial Youth Project
Frank J. Slobig, Director
and
Calvin H. George, Consultant

January 18, 1984

EXECUTIVE SUMMARY

The '80s pose enormous challenges to both economic and educational policy-makers. Productivity is decreasing, and American industry is increasingly threatened by competition from abroad. Nearly a quarter of white youths looking for work age 16 to 19 are unable to find jobs, and for black teens the figure exceeds 50 percent. Essential community and environmental services are not available because of reduced funding. At the same time, few effective mechanisms exist for developing youth competencies in the community setting, and the concept of community service -- long an American tradition -- receives little attention. In addition, employers complain that large numbers of young people -- even many who graduate from high school -- lack the basic literacy and numeracy skills to perform adequately in the work place, and the cost of on-the-job remediation is often prohibitive.

In response to these challenges, a public commitment of substantial proportions is necessary to create meaningful service and work opportunities for youth. The Roosevelt Centennial Youth Project is proposing a national program to serve as a bridge between education and employment in order to help halt the deterioration of our future work force and in the quality of life which our young people enjoy. In collaboration with a wide range of other public interest groups, the Roosevelt Project will actively seek broad support for this effort. It is a work and service program complemented by and integrated with a significant educational initiative. Drawing on lessons learned from the past, it would not require expensive demonstration projects. Its objectives are:

- to stimulate participation in community service and enhance the effectiveness of civic, voluntary, and community-based organizations;
- to improve the level and quality of local environmental and human services;
- to increase youth employment, especially among minorities and the economically disadvantaged;
- to reverse the economic drain which results from large numbers of youths who may require lifelong taxpayer support.

Based on a public/private partnership at federal, state, and local levels, the proposed model permits maximum flexibility in administration and encourages a large measure of local initiative. It also takes advantage of prior education, training, and employment program experiences which demonstrate that many young people understand the importance of basic skills only when they face work place challenges. As a result of this exposure, their learning motivation increases, and through combining education and work, they become happier and more productive members of society.

This Policy Blueprint outlines a two-tiered community service and youth employment program that could be built up and phased in over four years and would complement related initiatives already planned and underway. Recommended administrative and organizational specifications are set forth in a companion document, A Nationwide Community Service and Stay-in-School Program: Programmatic Options.

The Community Service Corps (Tier I) would be a nationwide program open to high school graduates or holders of the General Educational Development (GED) certificate up to 24 years of age, who want to devote a year to community service, developing their skills and exploring new interests. Enrollment should reflect a balance between disadvantaged and non-disadvantaged young women and men. The Corps would undertake human service, community development, and conservation projects, primarily in non-residential settings. Corps members would be paid for their work and would also participate in remediation and other educational activities. Over four years, the Corps would reach a level of a million participants, equivalent to about 25 percent of the out-of-school 16- to 24-year-olds who are presently out of work.

The Stay-in-School Program (Tier II) would be an education and employment incentive program for economically disadvantaged, 16- to 24-year-old in-school youth and dropouts in designated urban and rural poverty areas. It would provide a broad continuum of education and training services, and participation in these activities would be a condition of eligibility for paid work and service opportunities. To the maximum extent possible, it should build upon existing cooperative education, other work/study and vocational education programs, and the summer youth employment program. It should also be closely integrated with the newly emerging public/private partnerships under the Job Training Partnership Act and with enhanced school-to-work transition services that ought to be part of future educational policy initiatives.

Both the Community Service Corps and the Stay-in-School Program should be implemented through and complemented by existing systems and institutions. Estimated net new federal costs of implementation are $1.3 billion the first year to just under $6 billion by the fourth. Cost/benefit analyses of the Job Corps and value of work output studies of prior work and service projects indicate that the benefits of the proposed model are likely to exceed its total costs. Other studies, such as a recent analysis of the costs of failing to employ jobless young people in New York City, show that the long-term societal and economic costs of youth neglect are staggering. In short, we cannot afford to do nothing.

I. THE NEED FOR A WORK-EDUCATION AND COMMUNITY INVESTMENT STRATEGY

We live in a country where work and service traditionally are held in high esteem. We often make value judgments about others based on the kind of work they do. It is hard to feel good about yourself if you have nothing productive to do. In recent years, we have not entrusted our young people with sufficient responsibility to do things of real value. Their willingness to work and to be of service is nonetheless there, and they need opportunities to make meaningful contributions to society. At the same time, our communities need improved services and our natural resources need to be maintained and protected. An investment and development strategy which takes both of these needs into account should be vigorously pursued. By becoming actively involved in community service and in working toward achievement of society's goals, young people are more likely to make a healthy transition to adulthood. They will also develop an appreciation for education and work, a sense of citizenship, and a commitment to positive social values. In addition, they will become economic assets rather than economic burdens, as many are now.

The current proportion of idle and aimless youth in our society is unacceptably high. Millions of young Americans are not finding the opportunity to develop the employment skills and work habits necessary for future productivity and to contribute to our nation's economy. Growing numbers of teenagers are reaching adulthood without ever having worked. The costs of this lost output, developmental lag, and human resource waste are enormous. The following statistics illustrate the magnitude of the problem:

- Nearly 40% of the unemployed, close to 4 million people, are under 25 years of age.
- The decline in the number of employed young people as a result of the current recession has been worse than during any other period since the end of World War II. Between 1979 and 1982, total full-time teen employment dropped by 1.3 million, more than wiping out the gains realized from 1975 to 1979.

- Despite the slow economic recovery beginning in December 1982, teenage unemployment rose in the first 6 months of 1983 to nearly 2 million. Another 1.5 million are out of the labor force but say they would like to work.

- An enormous disparity has developed in the last 30 years between the employment status of black and white teenagers. For example, in September 1983, only 18 out of every 100 black teenagers was working, whereas 47 percent of white teenagers had jobs. The annualized labor force participation rate of black teenagers in 1982 reached an all-time low of 36.6 percent, prompting Bureau of Labor Statistics Commissioner Janet Norwood to refer to the black teenage unemployment situation as one of the most important social problems of the day.

Data from the public education arena are equally bleak. Many young people are questioning the relevance of education, dropping out of school at the rate of 800,000 per year. According to the National Center for Educational Statistics, 28 percent of the nation's ninth graders will drop out of high school before graduation. The Carnegie Foundation for the Advancement of Teaching's recent report, High School, points out that "(in) 1980, 78% of white 19-year-olds in the United States were high school graduates. However, that same year, 61% of black and 56% of Hispanic 19-year-olds held high school diplomas." Further, best estimates are that 56 percent and 44 percent of Hispanic and black teenagers respectively are functionally illiterate. Moreover, employer experience clearly indicates that a high school diploma alone is neither an accurate measure of the individual's basic skills nor a valid predictor of employability. The National Commission on Excellence in Education has stated that the "people of the United States need to know that individuals in our society who do not possess the levels of skills, literacy and training essential to this new era will be effectively disenfranchised, not simply from the material rewards that accompany competent performance, but also from the chance to participate fully in our national life."

The problem of youth employment is worse today than in the mid to late '70's, when many considered it a national tragedy. Young people are unemployed in even greater numbers not because they do not want to work, but primarily for two other reasons. First, there are simply not enough job opportunities. Second, a basic lack of education and fundamental unfamiliarity with the world of work, especially among minorities, prevents many young people from entering the labor force. As the following statistics demonstrate, the problem is not simply going to disappear:

- o The 16- to 19-year-old population, now 15.3 million, is projected to drop to 13.5 million by 1990 but then begin to rise again.
- o According to economic forecasts, the temporary decline in the number of teenagers, independent of other factors, will merely reduce the youth unemployment rate by 2 percentage points.
- o The population decline will be largest among whites, thus raising the minority proportion of our future potential young workforce to over 25%.

Studies have shown clearly that young people, both disadvantaged and non-disadvantaged, want to work. Given the opportunity to do so, they respond positively and show a high degree of motivation. Instead, we now have large numbers of young people who end up drifting on the margins of society, victims of forced idleness, often victimizing others to survive. The choice facing America is to accept the continuing downward spiral of social deterioration, or to make an investment in young people's productive capabilities.

An enormous range of potential opportunities exists for young people to serve society's unmet needs. The following are a sample of relevant examples from studies conducted by the Urban Institute and the American Institutes for Research:

- o At least a half million opportunities appropriate for young non-professional workers could be created in education and school-related services alone.
- o Better care for severely restricted elderly and handicapped individuals could productively occupy another 275,000 youth.

- An estimated 225,000 opportunities exist in energy, environmental, and urban conservation areas.
- Social services to children, youth, and families could involve 165,000.
- Criminal justice, corrections, and public safety could employ 200,000.

The opportunities are there. Young people need to be challenged to make an investment in their local communities and in themselves. Our goal should be to launch more young men and women on the path to long-term economic self-sufficiency, thereby avoiding later costs in welfare, institutional care, and incarceration. We should not wait for new revenues which may be generated by industrial and business advances. Rather, we must recognize that our economic system has always achieved its strength through a mix of private and public goods and services and by utilizing the full capacity of its human resources.

II. WHAT WE HAVE LEARNED

From the Civilian Conservation Corps (CCC) and the Works Progress Administration (WPA) of the '30s through the anti-poverty, community development, career education, and youth employment efforts of the '60s and '70s, we have learned a great deal about the effectiveness and value of various work and service programs. Using this knowledge, we can move forward without further expensive experimentation. The experiences of alternative youth employment and training programs during the last 20 years, particularly those with linkages to the education system, provide us with valuable insights into what helps improve the qualifications and labor market status of young people, especially the disadvantaged. The period following passage of the Youth Employment Demonstration Projects Act of 1977 (YEDPA) yields unusually rich data regarding these questions.

Prior programs reflect a range of approaches that fall into four basic categories: work experience and cooperative education; remedial education and training; pre-employment assistance; and private sector placement activities.

Work experience and cooperative education

Since the mid-'60s, the largest and most widely known sustained youth work experience effort has been the summer employment program. A major annual infusion of federal money has supported the creation of up to 1 million summer jobs per year. During the early years the program was of questionable quality, beneficial for the most part only in keeping young people off the streets and in redistributing income. Recently, where the traditional summer work experience has been expanded to include remedial education and training activities, there has been a distinct benefit to the participants in terms of skill acquisition and long-term employment potential.

By contrast, the Youth Incentive Entitlement Pilot Projects (YIEPP), the largest of the YEDPA demonstrations, showed that employment programs conditioned on school attendance and performance can be effective. In order to secure and keep their jobs, 16- to 19-year-old poor youth in 17 sites across the country were required to remain in or return to school and to maintain satisfactory standards of scholastic performance and attendance. Program results showed that:

- Useful, productive, stimulating work opportunities that meet real community needs can be created on a large-scale, decentralized basis.
- Black teens are as eager to work as whites and stay on the job longer.
- The employment rate of disadvantaged young participants increased by 90 percent.
- Total school enrollment and the return-to-school rate of younger dropouts increased significantly.

Other services and work programs targeted to both disadvantaged and non-disadvantaged youth have also showed impressive outcomes. The Program for Local Services in Seattle during the early '70s, the Cooperative Education and Work-Study programs operating since the late '60s, the Ventures in Community Improvement (VICI) Program in the late '70s, the California Conservation Corps, and other federal, state, and local conservation programs developed in the late '70s have shown that:

- The dollar value of the work performed and services provided exceeds program costs.
- When work and service opportunities are offered, young people respond with improved school attendance, higher incidence of continuing education to the next level, lower unemployment rates following participation, and greater appreciation for community involvement, public service, conservation, and good government.
- Community service opportunities offered by programs open to all youth attract both disadvantaged and non-disadvantaged participants.

Remedial education and training

The Job Corps experience over nearly two decades is an excellent source of information about the effectiveness of remedial education coupled with work experience and skill training. Individualized instruction, often computer-assisted, has significantly increased the reading and math competencies of Corps members. Further, participants develop the motivation and discipline necessary to enter the competitive labor market and/or continue their education, and the program has been successful in large part, despite the severe basic skill deficiencies presented by most entrants. However, because Job Corps serves the hardest to serve, it is also considerably more expensive than the model we propose.

Pre-employment assistance

Various types of pre-employment programs for disadvantaged youth have been put forward in recent years. They aim to provide a minimum set of competencies and coping skills to enable young people to function independently in the labor market. Activities have included basic skills training, counseling, motivational training, occupational information, vocational exploration, and job search assistance. Services have sometimes been offered in a school setting but more often by outside, community-based organizations. One of these programs' most positive attributes is that they expose participants -- many for the first time -- to adults successfully engaged in productive service and employment.

Private sector placement activities

Historically, the responsiveness of the private sector toward young people served by employment and training programs has been limited, particularly for the disadvantaged and school dropouts. Various tax incentives and subsidy schemes have been tried with only modest success. Some employers have had a negative perception of government-funded programs; many others have participated in innovative public/private partnerships that have opened new opportunities to disadvantaged youths. Too often, however, the absolute number of young people affected has been small. Further, as the Committee on Economic Development points out, programs with successful public/private partnerships "often obtain federal funds and tend to gain in stability and professionalism as a result of skills that the partnership brings together. In this way business firms contribute to activities that they might not undertake or sustain by themselves."

What will happen under the Job Training Partnership Act remains to be seen. Clearly, placement in a regular private sector job is the desired objective, and subsidized try-out employment and vocational exploration in the private sector should be encouraged. However, in the absence of adequate employment opportunities in that sector, the creation of a substantial number of subsidized work and service opportunities for young people is preferable to socially costly idleness and aimlessness.

III. A PROGRAM TO BRIDGE THE GAP BETWEEN EDUCATION AND EMPLOYMENT

In recent years, public debate regarding unemployed youth has focused on two primary concerns: economic policy and educational policy. Each policy has advocates from all points in the political spectrum. Many of those concerned with economic policy predict that, given a continuation of current policies and trends, the United States may not produce enough new jobs during the balance of this decade to satisfy normal labor force expansion. Even if there were a sustained recovery from the current recession, the President's Council of Economic Advisors projects the national unemployment rate to approach 9 percent in 1985; for depressed urban and rural areas and for the youth population, forecasts suggest it will remain at or exceed record high levels. For young people, the jobs simply will not be there.

Those concerned with educational policy observe that test scores have fallen, the quality of teachers has declined, dropout rates continue at high levels, and employers consistently and vociferously complain that young job applicants lack basic reading and computational skills. Other factors, such as the dramatic increase in teenage pregnancy and "runaways", further complicate the tasks of school systems and reduce the potential employability of "high risk" youth.

The continuing debate must recognize the inextricable, functional linkage between economic and educational policies if effective strategies are to emerge. The education sector is directly affected by perceptions -- of students and teachers alike -- regarding prospects for and access to jobs and other productive community involvement. The motivation to learn, the motivation to exercise discipline, the motivation to plan for the future and to explore a wide range of options will not exist when many young people perceive that sufficient employment opportunities do not exist. Unless there is a bridge between basic economic policy and educational policy, between the job generation process and our schools, neither will succeed.

A combined employment-education-community service policy can be that bridge. Its goal is to facilitate the transition of adequately prepared young people from school to work, simultaneously improving the quantity and quality of local community services. The model proposed here reflects this comprehensive policy. It builds on existing systems and institutions at local, state, and federal levels and takes advantage of the unique strengths of community-based organizations. It also makes efficient use of guidance derived from the experiences of earlier programs targeted on one or more facets of the problem.

The Model

Tier I: Community Service Corps

Recognizing both the demand for a wide array of service and development projects in local communities and the eagerness of most young people to be constructively involved in work and service activities, the first tier would be a large-scale, gradually phased-in, and decentralized Community Service Corps.

The Corps would incorporate the best elements of past conservation corps and community service experiences. To reinforce the importance of educational attainment, it would be open to all 16- to 24-year-olds with a high school diploma or General Education Development (GED) certificate. The Corps would appeal primarily to those young people who want to spend a year in transitional community service that tests their skills and encourages them to explore new interests. Extensions of service beyond one year could also be available. Corps members would be involved in community service, development, and conservation projects that would be concentrated primarily in low-income urban and rural communities and in the nation's preserves and wilderness areas. The Corps would maintain a balanced enrollment of 50 percent non-disadvantaged and 50 percent economically disadvantaged young people, and equal numbers of young women and men.

Corps members would be paid the minimum wage for work and service for four days per week and would spend the fifth day in such activities as remediation, career exposure, and job or educational placement activities, or in volunteer tutoring and other assistance to fellow Corps members. Corps members would also be involved extensively in staffing and administering the Tier II Stay-in-School Program. Post-program educational benefits would also be available. For those economically disadvantaged participants not inclined to pursue post secondary education, special emphasis would be given to assist them in obtaining subsidized private sector employment or on-the-job training.

Tier II: Stay-in-School Program

The second tier companion Stay-in-School Program would be targeted solely toward economically disadvantaged youths age 16 to 24 who are still in high school or who have dropped out. Established in the major urban and rural poverty areas in every state, it would offer a broad, year-round continuum of training and support services as well as work and service opportunities. In-school participants would be required to maintain certain school performance and attendance levels, and drop-outs would have to either return to school or enroll in an alternative educational program to prepare for the GED exam. Those who complete Stay-in-School might then enroll in the Community Service Corps.

Upon entry, enrollees would go through an assessment process to:

- determine current educational performance levels
- determine specific areas of deficiency
- identify career and educational interests and aptitudes
- establish long-term educational and career goals
- establish short-term objectives which are realistically attainable and measurable
- schedule appropriate activities to meet participant needs

The service and work opportunities that could be offered would complement and supplement the participant's educational program. They might include:

- subsidized work experience in community-based organizations, public agencies, and the private sector;
- cooperative education and work-study arrangements with particular emphasis on community-based organizations and private industry;
- self-paced and computer-assisted basic skills remediation, with personal support as required;
- workshops on study skills, time management skills, communications, coping and survival skills;
- workshops on the world of work, job search techniques, resume writing, filling out job applications, mock job interviews, appropriate attitudes and behavior;
- career exposure and exploration, including short-term internships and field visits to offices, plants, laboratories, and other work settings;

- support services, including personal and family counseling, peer counseling, child care, referral to health services as needed, and emergency loans; and/or
- referral to residential facilities as needed both within and outside the participant's community.

Program enrollees would be paid the minimum wage for their work. Participation in other program activities would be required on an unpaid basis. A limited number of incentives should be provided to reward above-average and outstanding performance in work and non-work situations. Similarly, in work situations attendance and punctuality requirements would be strictly enforced, pay would be docked, and suspension and terminations would result from repeated violations of clearly explained and understood rules. Enrollees could continue in the program until high school or GED completion.

The initial phase of the Stay-in-School Program would focus the Summer Jobs Program and combine work with remedial education and employability skills development. In effect, the summer program should be viewed as the third semester in the education process. This summer remediation and work combination would help overcome the educational slippage experienced by the disadvantaged during the summer months and provide encouragement for more learning.

IV. DELIVERY SYSTEM FRAMEWORK, COSTS AND BENEFITS

The companion document to this Policy Blueprint sets forth several delivery system options, in detail. The intent here is to provide an overview of the general principles upon which the options were developed.

- The Community Service Corps and Stay-in-School Program would be implemented through existing systems and institutions and would not require a costly and redundant bureaucracy. Both the JTPA structure and the school system would be expected to play a major role, but not necessarily be the designated administrative entity.

- Program guidelines would permit maximum flexibility in implementation at state and local levels so that operational program strategies are consistent with local needs and resources. The federal government, however, would be expected to maintain a major leadership role, provide extensive technical assistance, and retain responsibility for program oversight.
- Since work and service opportunities cross traditional departmental and agency lines, program design and delivery would reflect inter-departmental and inter-agency cooperation. Examples of sectors which might be involved are education, environment and natural resources, energy, housing, community development, public safety, juvenile justice, health and nutrition services, and child care.
- Emphasis should be given to voluntary and community-based organization with a demonstrated history of service delivery, development, and conservation effectiveness.
- Special attention should be given to the achievement of a high level of private sector involvement in providing subsidized and non-subsidized work placements.

Fiscal constraints, planning time and administrative needs mandate a phase-in approach and initial program size that will make this initiative doable. While it should be designed to have a substantial impact, it does not purport to be a panacea. The Bureau of Labor Statistics reports that in 1982 there was an average of 3.3 million out-of-school 16-24 year olds who were officially unemployed and an additional 400,000 who wanted work but were no longer looking because they believed that there were no jobs available for them. Together these total 3.7 million young people.

A Community Service Corps building up to a level of one million participants over four years would be equivalent to just over 25% of this universe of need and represent a substantial impact. Similarly, the Stay-in-School Program could phase up to a level of 400,000 economically disadvantaged young people over the same period and make a significant contribution to increasing the numbers of low income high school graduates. Total program costs are estimated at $1.7 billion the first year and nearly $8 billion in the fourth. First year costs in new federal outlays are estimated at $1.3 billion in the first year rising to just under $6 billion by the fourth.

existing resources into a more coherent and integrated approach to a pressing problem, the creation of opportunities for young people. Other sources of funds that could be tapped at the state and local level include: the Job Training Partnership Act, Community Services Block Grant, Community Development Block Grant, Vocational Education (federal and state), Cooperative Education and Work/Study, and private foundation and corporate contributions. A detailed analysis of cost estimates on a per participant basis is presented in the companion document on administrative approaches.

A wide range of cost-benefit analyses and value of work output studies of prior work and service projects suggests that the short and long term returns to society of the proposed model are likely to exceed its total cost. Recent evaluations of the California Conservation Corps show a value of the work and services performed of $1.64 on every dollar invested. Further, evaluations of the state run programs under Young Adult Conservation Corps show a cost-benefit ratio of 1.52.

Conversely, if a comprehensive youth service and work policy is not initiated, the long term costs to society will continue to mount, further adding to local, state and federal expenditures for welfare and other income transfer payments: there will be expansion of the criminal and juvenile justice systems including penal institutions; increased private sector training costs for basic skill remediation; the lost value of badly needed services to the elderly, the disabled, and the reclamation of the environment; and most importantly, the wastage of young lives.

Mr. HAWKINS. Thank you, Mr. Slobig. This has certainly been an excellent panel, a great inspiration, I am sure, to all of us. I think they speak very well for themselves and for the idea of trying to do something legislatively to help them.

I have no specific questions at this point, but I am sure that some of the members of the panel have something to direct to you and to some of them. I wish to commend you on an excellent statement.

I accept the suggestions that you have offered with respect to further clarification of the objectives of the bill itself. They certainly will be taken into serious consideration. The staff will be in touch with you concerning this. It certainly has been a great experience for us to have these young people come before the committee and express themselves.

They have done a marvelous job and I am sure that all of us have benefitted from their testimony.

Mr. Jeffords.

Mr. JEFFORDS. Thank you, Mr. Chairman.

I certainly find this panel, as always, the most interesting of the witnesses we will have, I am sure. I say this without any attempt to negate any of the other testimony, but I think it is so important for us to talk with those people that have been the success stories so that we can get some hope and help in how to have more success stories.

I would like to ask Rafael a question or two. We passed legislation some 10 years ago, referred to as 94-142, to try to help people that have learning problems. It pains me to know that you had a constitutional right and there was an obligation on the school system to have helped you much earlier than they did. How did you finally come to be tested and to learn of your problem and if you have any idea why it took so long for your school system or a school system to assist you?

Mr. SANCHEZ. Well, they just found the problem I have recently, about 2 or 3 years ago. I went to public school, through elementary school and junior high school, and my last year in junior high school, they found out that I have a problem. So they gave me some sort of test during the years and then—they knew I had a problem, but they didn't know what I have.

At first, they thought that I had some problems with my eyes, that I couldn't see, or that I needed glasses, but then they gave me tests and all of that and took me to hospitals. They knew that I didn't have—you know, I could see well, but I always misspelled the words or I will get the words backward or I won't know my right from my left and other problems would just turn up.

The years passed and passed and after they found the problem, it was just too late. It is not really too late because they have got some programs that I could get into, but it costs a lot of money to get into. In school, it was like—I go every day to school; I was just wasting my time in school and the only way was to just quit school. That is why I quit school.

I found out about youth employment services and it has been giving me a chance to prove myself, that I am somebody, that I could do something for myself on my own.

Mr. JEFFORDS. Was this in the New York City school system?

Mr. **Sanchez**. Yes.

Mr. **Jeffords**. Thank you. I appreciate that because it grieves me to hear such testimony when we do have a Federal mandate and you have a constitutional right for that problem to be taken care of long before it was discovered. I am sorry to hear that.

I have a couple of general questions to ask of the panel if they would care to respond. You are success stories and you can perhaps help us so that we can have more success stories.

I would like some comments on why young people leave schools and, in particular, I would like some comments on the best way to keep young people in school. I would like you to focus on the need for some sort of economic help, some money, some stipend to assist in accommodation with some after-school employment. How important that is to keep young people in school.

Second, how important it is to have a link between work and job training in order to keep young people in high school? I would appreciate it if any of you would comment on that.

Mr. **Slobic**. Juan.

Mr. **Valdez**. Like I have stated in my testimony here, one of the problems is that students like me need money. We can't afford the books for school, the clothes, food, the apartment we have to pay, can't afford all that. So if we stay in school—we won't be able to pay all those bills that we have. So we quit school.

Now, after we quit school, we notice that we can't get anywhere because they won't accept us in a job because we don't have a high school diploma; we don't have the skills. Let's say in the computer area. We don't have the skills to use a computer, so afterward, we get so frustrated that we get to stealing.

So these programs that are offered give us the chance to first get a job and then, at the same time, be able to go to school. Even though—let's say you are going to graduate later than you should, but still you are going to have the high school diploma. You might be able to go through a high school and through college and be somebody important, maybe a Congressman. [Laughter.]

Mr. **Jeffords**. I could make some comments about our importance, but I don't think I will. Anyway, I appreciate that. Mindful of our time constraints, let me ask if there is anyone on the panel that disagrees with what he just said? I see all the heads shaking no.

Now, is there anyone that would like to add anything, either from their own experience to further assist us?

Ms. **Marshall**. Well, for myself, I think employment training programs are very important with giving young people from the age 14 to above the opportunity to go and strive for success and learn basic skills and learn how to go to an interview and how to sell yourself, make an employer want to employ you.

You know, they say she is so young, but she has got it all. You know, by learning and going to the program that I am in and which the panel is in, that is giving us a chance to prove to ourselves, more than it is proven to others, that we could do it and make our self-confidence build more and more and more and make people think good about us, too.

My family thinks highly of me. [Laughter.]

Mr. **Jeffords**. Thank you.

I have one additional question. Looking at your testimony, I notice that one of the opportunities you have is the martial arts. I happen to be a fan of that. I wondered if you were trained in that? Have you taken advantage of that program?

Ms. **Marshall**. Right now, I am in the education program. That includes tutoring, helping me with my GED homework and stuff. I am in all the programs and in recreation, I am in martial arts. I am in modern dance and theater workshops and modeling.

In the medical clinic, we have a center for youth services. It includes medical exams. They treat all of that.

For the preemployment—there are a whole lot of people who want to get into our preemployment training program, but there is such a long list, people just have to wait and wait and wait. I had to wait 2 months to get in, but I told myself, "This is something I want to achieve even if I didn't achieve anything else in my life." I wanted to get in the preemployment class and graduate. Then they could get me a job. That is what they are working on now for me.

We have rap groups at the center. We talk about a number of things. Anything you want to talk about, we will talk about. We have got family planning, young ladies and men who are going to be mothers and fathers. There are counselors for them to talk to. We have Job Corps. All of this is in one building.

Everybody likes it because you don't have to go down to the employment building to get employed; go to school to get your education; go to the clinic—all of this is combined in our 36-room building. Most of our youth at this center take advantage of it.

We don't have that many people there who are really the boss, or act like a principal. You are supposed to convince yourself that you want to go and you want to use all those different things that are there for you.

We volunteer our services, help to keep our building clean and try to help the building the best way we can. We try to keep our building up to date if no one else will help us, because that is our building; that is for us.

Mr. **Jeffords**. Thank you.

Is there anyone else who would like to comment?

Mr. **Cruzado**. Yes. I have friends who are in the same position that I was. They tell me, you know, how did you get straightened out; what did you do? Well, I told them jobs for youth was what straightened me out.

When I left school, I realized that when you are unemployed—the reason you are unemployed is because you don't have the skills or you don't have the education. So the education—I tell them is the first thing. Without your education, you really can't do anything. So I tell them, "Get your education, then you'll get a job."

Jobs for Youth—when I went to Jobs for Youth, I wouldn't say it was easy to enroll, but it is difficult now to enroll in Jobs for Youth because when you call, the line is always busy. They tell you to call at 9, but the line is always busy. So I tell them, keep calling and keep calling; do your best. When you do your best, then you might just get through.

Drugs is another thing. I tell them that they are not good at all. I like my job now. As I told you in my testimony, I plan to began an undergraduate program—hopefully become a lawyer. Jobs for

Youth is the one thing that opened the door for me. I stress to my friends, go to Jobs for Youth. Jobs for Youth will help in any way that they can, but you have to help yourself first. You have to make the first step.

Thank you.

Mr. **Jeffords**. Thank you. Anyone else? OK.

Ms. **Ferrell**. For me, I dropped out of school mainly for family pressures, but when I dropped out, I was looking for jobs. For most jobs I went to, you had to have some type of training or something so that was what really made me realize that I have to go to school to get my special training to get a job to become what I want to become.

When I got into Rosa Parks Group Home, they helped me realize that I needed to go to school in order to accomplish what I wanted. That is when I went to LOC, working with computers. I am still going there now. I like it; it is very nice.

After I finish that, I hope to become a computer technician.

Mr. **Jeffords**. Thank you.

Thank you, all of you. I appreciate that testimony. It is very helpful in giving us some insight as to what we must do in order to try to make more success stories and reduce the number of people that do leave school.

Thank you.

Mr. **Hawkins**. Mr. Martinez.

Mr. **Martinez**. Thank you, Mr. Chairman.

Juan Valdez, you know, that is a very famous name. [Laughter.]

I have a note that my aid will give you before you leave. It will be a little inside joke between you and me about some of the comments you made.

I want to ask a question. I can relate to most of what you said because I come from a very similar background, in experience.

I enjoyed hearing you say that you might be a Congressman. I was a high school dropout and I am a Congressman today, so it is not impossible. Let me ask you about the kinds of pressures that caused you to drop out of school, because I am not sure that a lot of people really understand the subtle kinds of pressures that are placed on a person to drop out.

You touched on it a little bit that there is, dependent upon the size and economic status of your family, a constant pressure from your family to get to work, to provide for yourself, sometimes families give one the impression that there is not any way that they can help you afford furthering your education. That is always constantly in the back of your mind, so the slightest frustrations while you are going through the educational process would cause you to wonder if it is worth it and cause you to drop out.

Do any of you have a comment on that?

Mr. **Cruzado**. On what type of pressures?

Mr. **Martinez**. A subtle pressure, maybe not an overbearing pressure, but there is constantly on the back of your mind something that is there that makes you feel the necessity for you to get out and make a living, even out of sense of pride for yourself.

Mr. **Cruzado**. When I left school, I was influenced by the wrong people. After I dropped out, I was just doing nothing and my mother was the one who really got on my case. She kept telling me that you have to do something or you are going to get out of my house. That is when I realized I have to do something. I am not just going to be a bum in the street because I don't want to be like that.

So the pressures that I got were from her and also from my friends. I saw a couple of my friends who were dressed nice; they had all their jewelry, whatever; they were smart; they were going to school; they were working. After I had gotten influenced by wrong people, I realized it is not the way to go. So I straightened myself out, like I say, I went to Jobs for Youth.

Jobs for Youth helped me out in all the ways that I have been helped. Pressures from myself—I was saying to myself, "Stephen, you want to do good in life; you want your kids, you want your wife to live in the best place. You want everything for them so you have to start yourself."

That is when I started. I did it for myself.

Mr. VALDEZ. Also, if you have brothers—I have brothers, two younger brothers, and I see myself and I say, "Well, if my little brothers are going to school and I don't want them not to go through college and have a good education. I want them to have a good education," so I would say to myself, "Well, if I keep going to school, maybe I am going"—I am not going to be able to finish. It's going to be tough because my mother has to work all the time. My two little brothers have to stay home by themselves and there is no one to look after them, so then I said, "If I get a job, then my mom doesn't have to work that much so then she can stay home and take care of my little brothers and I will provide for them."

Mr. MARTINEZ. Anyone else?

Mr. HAWKINS. Ms. Blackwell, I think, was cut off in the last series of questioning. Maybe she might care to make a comment.

Ms. BLACKWELL. If you come from a single family, or a single-parent family like I do, and—well, my mother works two jobs to try to support us—you would want to drop out, but then you wouldn't because you know that if you drop out, you don't have that piece of paper which is very important. You can't really help because you will be making minimum wage, if you will be making minimum wage at all, so you want to stay in school in order to make something of yourself so you can just walk in one day and say, "Hey, Ma, quit those jobs. You stay at home and relax. I will help you out."

That is the reason that you would want to stay in school, and that is the reason why a whole lot of people—well, they might look up to us because we decided to go back and try to make something of ourselves or stay in and make something of ourselves.

Mr. MARTINEZ. One last question. Do you feel, each of you, that you are typical or that you are unique? In other words, are you—do you have that sense of pride that was just described and the wisdom to understand that your best advantage is staying in school, or do you think that a lot of kids have the same opinions?

Do you understand what I mean? What I am saying is, do you feel that you are different, that you have a greater sense of pride in yourselves and a greater wisdom, or do you feel that there are a lot of kids out there—that you are typical of the rest of the young people out there that would be exactly like you were they to have the opportunity?

Ms. **Blackwell**. Well, really, in a way, I think we are an exception because we know what we want to do and we went out and did it. My peers, my friends, they know what they want to do but they don't have the gumption to get up and do it for themselves. They think, you know, they want it to come to them on a silver platter. You know, somebody just knock on their door and offer them a job, when they really have to go out and get it, try to make something of themselves, like we did.

Mr. **Martinez**. Anyone else?

Thank you very much.

Mr. **Hawkins**. Mr. Williams.

Mr. **Williams**. Thank you, Mr. Chairman.

Mr. Slobig, I want to commend you for your work as project director in this exceptional program, which, as I understand it from your testimony, comes from the Eleanor Roosevelt Institute. You mentioned some of the early efforts of the Roosevelt administration in trying to relieve joblessness among youth. Roosevelt was criticized in his day, just as every administration or Member of Congress has been criticized since, for proposing efforts of this type.

Usually the criticism centers around the fact that these efforts are short run, short term. I heard the story once of someone saying to Roosevelt: "But Mr. President, these jobs programs are short term," and Roosevelt said, "People eat in the short term."

We have to, of course, do more than just short-term programs. We really need to lift the economic mobility of the places where these young people live or these training programs in the end will just continue to be applications on a sore on society and we have to do, as you know, and attempt to do much better than that.

Is it your understanding that the in-school programs within JTPA have been basically eliminated in many of the States?

Mr. **Slobig**. I think it varies considerably from place to place. I would hesitate to make any global judgment about their widespread disappearance. I think that the sense I have, at any rate, is that given the preoccupation with a lot of early startup and administrative relationship considerations that places simply haven't gotten up and running. Now, whether they will get up and running come next school year or not with any significant in-school programs remains to be seen.

I think it is fair to say, though, that by comparison to what was, say 3 or 4 years ago, that we won't see any level of activity under JTPA for in-school or out-of-school youth that is comparable to what it was or that is adequate to meet the needs that are out there.

Mr. **Williams**. You made suggestions which, of course, as the chairman indicated, the committee will certainly give full consideration to, and one of them was we allow more State flexibility in the decisions as to the use of the dollars involved in the program. I want to see some of that. I personally have been somewhat disappointed, though, with the States' actions on the in-school training portion of JTPA, which Mr. Jeffords and some others worked very diligently on, and I find that as an example of what happens when lock, stock and barrel, we turn over the management of these efforts to the States. They sometimes do an end runaround what was the congressional intent, and inasmuch as these are national programs, it seems to me that the heart of the management at them should be maintained by the public at large, which is here in the Federal Government.

Mr. SLOBIG. I agree and I think that what I perceive as the clear tilt in this legislation back to a closer Federal, local relationship is a desirable one. I question, however, whether or not we ought to eliminate a State role, rather than a kind of pro forma review of the planning process.

Mr. WILLIAMS. I hear you and you make a valid point.

Mr. SLOBIG. But in looking at that—I mean, if we are going to talk about a return to a more effective substantive Federal role, we have to realize where we are at in terms of the Federal Government. I mean, I was there for 10 years, from 1971 to 1981, and spent the last 4 years of that in the hurly-burly Office of Youth Programs in the Labor Department. I was there in the best of times and I am outside, in a sense, in the worst of times.

I look back at my conferees who are still there in the Employment and Training Administration, the few that are still there that have any sense of programmatic realities, at least in terms of youth programs, and we're in deep, deep trouble.

If we are to return any significant Federal role, I think we have to really think about how that is going to be done and whether it is done through federally contracted major management agent like we had with the youth incentive entitlement pilot project experience through the Manpower Demonstration Research Corporation or some, you know, quasi-public corporation of some kind, to really run things and run them effectively, don't expect to have it done under Mr. Donovan and company.

Mr. WILLIAMS. I had several questions for the young people here. Since the bells are ringing, we are going to have to go vote in a few minutes—I won't ask all of those questions. I do want to make the point that hasn't been made yet today, Mr. Chairman, and that is that we are celebrating May Day, which celebrates the workers of America and the world and so it is appropriate, perhaps, that we have these particular hearings on this specious day. It is unfortunate that there are tens of millions of Americans who aren't able to celebrate their employment today, but hopefully that will change toward the end of this year.

This bill—my young friends, this bill asks to spend $2 billion, with a "b." Now, $2 billion is a lot of money. Do any of you have an idea of how much $2 billion is if you stacked it up? Let me give you an idea of how much it is.

If you take the Department of the Federal Government that spends money the fastest, which happens to be the Pentagon, and you started the spending clock ticking Monday, yesterday, Monday, the Pentagon will have spent all that this bill envisions spending; they will have spent that by tomorrow morning. This bill would spend it all year on undeniably good causes. So that is what $2 billion is. Some in the country say that it would reach to the moon and back 100 times; I don't know about all of that, but I do know that the Pentagon spends it in 50 hours, which is really an incredible rate of spending. In other words, we have enough money to try to help young people like you and others if we really kind of reset our national compass and decide that is how we are going to spend the money in this country.

Juan, there is one problem with you becoming a Member of Congress. You reside in Washington, DC?

Mr. VALDEZ. Yes.

Mr. WILLIAMS. Do you understand the program with you becoming a Member of Congress, and every other young person in Washington, DC ever becoming a Member of Congress?

Washington, DC, doesn't have Members of Congress, just a nonvoting delegate, and we have got to change that first. Right? That has to be changed first. People in Washington, DC, should be able to vote for Juan some day as a Member of Congress if they want to and if you want them to, and unfortunately, the Constitution of the United States disallows that. So we have to change that so that all the Juans in Washington, DC, will have an opportunity to become—you don't have your eye on any particular seat, do you, inasmuch as——

[Laughter.]

Mr. HAWKINS. There are better places out West in Montana. [Laughter.]

Mr. WILLIAMS. Yes, well, that's my point. Inasmuch as he can't run at home, Mr. Chairman, I am wondering where he is thinking about going.

Rafael, I have a young junior high school child of mine that has dyslexia, a form of it, and I used to be a school teacher and my wife used to be a school teacher and here we had one of our children with the same malady to an extent that you have and she got clear into junior high school before we fully understood what the problem was. So it isn't totally unreasonable that you would go as far as you have before somebody could catch it. You indicated to us that you had it pretty seriously; and I am a little surprised that your school folks didn't catch it before they did. Our daughter is doing quite a bit better with some help. It is just regular help that she gets in school and, you know, I think you can, too.

You might have to dig around for a little help there, but I think it would be available to you and you are not too old to be able to get good help.

Keesha, you said there was a long list, that you had to wait 2 months to get into the program. Do you have friends that are on the list, that are waiting to get into the program?

Ms. MARSHALL. Yes.

Mr. WILLIAMS. How many? Is it two or three friends or a dozen? Do you know how many?

Ms. MARSHALL. A classroom full.

Mr. WILLIAMS. Everyone in a classroom has applied?

Ms. MARSHALL. Trying to get into our program——

Mr. WILLIAMS. Yes.

Ms. MARSHALL [continuing]. Preemployment program. They are probably in another part of the program at the center, but all of them are trying to get into the preemployment program. You have to wait your turn. It is a 4-week class and each 4 weeks, you have to wait an additional week to start another class.

Mr. WILLIAMS. I see.

Stephen, like all of these people, you have friends back home, acquaintances back home in New York; are many of them unemployed?

Mr. CRUZADO. Yes.

Mr. WILLIAMS. Are they on lists similar to the one that Keesha mentions, to try to get into a program of some sort?

Mr. CRUZADO. A lot of my friends—I have told them about Jobs for Youth and they told me they are waiting. They are waiting to get in. That is why these funds are needed so we can expand these programs and make the waiting list shorter so that we could get people like ourselves into jobs that we have over here.

Mr. WILLIAMS. Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you.

Mr. Owens.

Mr. OWENS. No questions, Mr. Chairman.

Mr. HAWKINS. Mr. Hayes.

Mr. HAYES. I had several questions, but because of time constraints, which I recognize, I just want to commend these young people for taking advantage of what to some is a second chance. I want to express my complete admiration to you.

I do want to raise a question to Dr. Slobig. You are looking at a recipient of some of the so-called goodies that came along during the Roosevelt administration. As a matter of fact, I was in the CCC camp and you sort of refresh my memory.

I want to know from you, do you—you see, the problem that really bothers me, I used to think I was born at the wrong time. I am not too sure anymore, unless we do something to provide a way of life for our young people. These people are fortunate; they are in sort of a school plus earning some money and obviously this bill will help. But there is a problem. There are not enough jobs to go around, as I see it.

Mr. SLOBIG. That is right.

Mr. HAYES. Not enough jobs. Government, in my opinion, has to become an employer of major consequences.

Mr. SLOBIG. Absolutely.

Mr. HAYES. I want to know from you—call it what you may—do you see the reinstitution of some of the similar types of programs that the Roosevelt administration sponsored as being a necessary move on the part of Government in order to solve some of the problems of unemployment?

Mr. SLOBIG. I think they are absolutely critically important. I don't think that we can continue not to have a permanent, full-standing, call it what you wish, national community service program, national community renewal program, national youth, whatever you want to call it, program. The Youth Incentive Employment Program. Whatever you want to call it. We desperately need it.

There was an MIT study about a year and a half ago at the point in time when there were over 10 million unemployed Americans that indicated that if miraculously all the available jobs were filled tomorrow, there would still be 9 million unemployed Americans. A significant portion of those unemployed Americans tend to be at the younger end of the age spectrum. Forty percent of our unemployed people are under the age of 25 and if you look at where the benefits have come in the last 16 months of alleged economic recovery—and I consider it marginal upturn at best—that the benefits have not accrued to people like the six that are here in any way proportional to their numbers, either in the labor force or in the population.

They are the flotsam and jetson out there in the waters while we hear about a rising tide carrying all boats. At best, they are in leaky lifeboats, if not hanging on to some driftwood out there in the water. You are right; we cannot afford not to have a permanent employment program for young people. That is not to say it has to be fully federally subsidized, and I think part of the problem that we have had in the past, both with perceptions of public employment programs is that they are looked upon as Federal "make-work" jobs, which is baloney. As far as I am concerned, there isn't a "make-work" job. If there is a young person who is out there and is occupied gainfully and productively, whatever they are doing, it isn't "make-work."

That is not to say we cannot try and make those opportunities as qualitative and as significantly skill-enhancing as we possibly can.

Mr. HAWKINS. Thank you. Thank you, Mr. Slobig.

Are any of the parents present today?

Mr. SLOBIG. I don't believe so. None of the out-of-town young people were accompanied by their parents. Some of them were accompanied by staff people from the programs who were gratious enough to have——

Mr. HAWKINS. Certainly we want to commend you and the Youth Project, the Roosevelt Centennial Youth Project that you represent and thank you for bringing these young people here. They are all to be commended and we certainly have benefitted from their appearance this morning.

Mr. SLOBIG. Thank you very much.

Mr. HAWKINS. That concludes this panel.

The next witness—is Mr. Hank Edwards in the audience? Would you come forward, Mr. Edwards, please.

Mr. Edwards is President of the Super Pride Markets. I believe you are from Baltimore, are you not?

Mr. EDWARDS. Yes, sir.

Mr. HAWKINS. Fine. We are delighted to have you, Mr. Edwards. We know that you represent the employer group, I assume, or at least one of them.

Mr. EDWARDS. Right.

Mr. HAWKINS. And we are delighted to have your views expressed before this committee.

STATEMENT OF HANK EDWARDS, PRESIDENT, SUPER PRIDE MARKETS

Mr. EDWARDS. First of all, I would like to say good afternoon to Chairman Hawkins and the members of the committee. I would like to thank you for giving me an opportunity to speak on a program that is dear to my heart, and for the purpose of saving some time, I would like to just go through a statement that I have prepared to kind of give my views on this program.

As stated, my name is Hank Edwards and I am the president and the chief executive officer of Community Foods, Inc., and our company does business under the trade name of Super Pride Markets.

Community Foods, Inc. is a black-owned and operated chain of six supermarkets in Baltimore, MD, and Washington, DC. We have a seventh store that is being constructed that we hope to have open in the fall of this year. All but one of our stores are located in inner city neighborhoods which are the kinds of neighborhoods that are addressed in the proposed act. The new store, likewise, will be located in the inner city of Baltimore.

Now, our company was founded on the principle that blacks could operate a first-class food store for residents of the inner city, while simultaneously providing a vehicle by which young blacks could be trained in areas of skilled management, an opportunity that did not and still does not exist readily for them.

So as you can see, this program, as proposed, in terms of the Youth Incentive Employment Act, is a true reflection of what our company has been trying to do since its inception.

Now, I come to you today as a voice of experience based on my experience as a participant in Youth Incentive Entitlement Pilot proejcts. I have participated in such projects with Jewell Food Stores, which is a major supermarket chain operating over 200 stores in the Midwest, where I was district manager and general manager of the inner city of Chicago, as well as my experience with such programs as Super Pride Markets.

To talk about the needs of such a program, I would like to first address statistics. The staggering statistics on the problem of high youth unemployment is adequate evidence in my mind that says something needs to be done.

As of January of this year, 1,479,000, or 20.5 percent of the teenage labor force, was unemployed, and in the black community, 47.9 percent of the youth are unemployed. It is said that this dismal situation exists because of a lack of unskilled or low-skilled entry-level jobs, couple with an increase in the youth age population, and inadequate skills, education and motivations possessed by the youth. However, I am here to say that I represent an industry where the number of unskilled or low-skilled entry-level jobs are proportionately higher than other jobs.

I am in an industry where training is an assumed need and all an employee needs is to be trainable—that is, armed with basic communicative and computational skills. However, many of these skills are missing in too many of our youth today.

Each day in my company, a minimum of 10 youth walk in off the street to file application for employment. All of these applicants are also required to complete a brief computation quiz.

With screening these applications, it is truly a sad situation to find that so many young people who have either dropped out of school for any number of reasons, or in some cases are seniors in high school or graduates of high schools, according to their applications, cannot spell and/or cannot read well enough to answer the questions on the application.

It is even sadder that most of these youth are unable to answer simple questions like how many ounces in a pound, how many units in a dozen, or how many quarts in a gallon.

Now, the desire to work, to have employment is there, as is evidenced by all these young people here. However, the communicative skills and the computational skills required do not exist in many cases.

The question some of you may be asking yourselves is why weren't these skills developed during their years in the public school system? Although the public school system needs improvement, it is still adequate for providing an individual with those basic skills I spoke of earlier, however, if one is not motivated to learn, then one cannot be forced to learn.

One of the key motivations for gaining an education is the ability to obtain gainful employment once armed with the high school education. However, day in and day out, these youth live in communities where one out of every two youth is unemployed and one of every five adults is unemployed. It is easy to understand why it is not—why they are not enthused about the benefits of obtaining the needed skills, but only in receiving a piece of paper called a diploma.

The necessary tie between education and employment to me is obvious, hence I feel there is a need for the Youth Incentive Employment Act. Youth Incentive Entitlement Pilot Projects of the past that I have had experience in have made it a success. The program in Baltimore expended over $55 million from March 1978 to March 1980. There were over 17,800 disadvantaged youth employed; there were over 3,000 school dropouts who returned to school; 14 percent of all hours worked were in the private sector; and 18 percent of all employers approached agreed to participate.

But to me, the most important statistic is the fact that over 80 percent of the participating employers reported that they youths' work habits, attitudes and willingness to work were above average or better. Super Pride Markets specifically, as best as can be determined by our records, has had over 20 employees participate in this Baltimore program and has since retained approximately 40 percent of these employees.

I sincerely believe that success on the job is linked directly to the success of school, or more specifically, one's attainment of the basic skills which provide for the foundation for training. Many employers, including my company, want to provide training for individuals, but because of the need to make an individual productive as soon as possible—and in our company, over 70 percent of the dollars that are expended on expense items are payroll line items—it is impossible to engage in providing remediation which will bring an individual to a point of readiness for training.

The Youth Incentive Employment Act provides for a vehicle that I believe would make an affordable task for employers, but keep in mind that prospective employers such as myself are not only concerned with work habits, attitudes and the willingness to work, but in a program of this nature, we are also concerned with being inundated with excessive paperwork.

As I mentioned earlier, the youth in our neighborhoods are willing. They have the will. What I ask of you is to help make a way.

Thank you.

Mr. Hawkins. Thank you, Mr. Edwards.

We have existing at this time the Job Training Partnership Act, which is a partnership between locally elected officials and the private industry council people, business persons such as yourself. Are you aware of the operation of this act?

What I am trying to find out is whether or not this existing program offers to you the same type of opportunity that the pilot program under the Youth Incentive Entitlement Pilot Projects offered to you at an earlier time?

Mr. Edwards. To some degree. I am also a member of the Private Industry Council of the Baltimore area and I work very closely with the mayor's office of manpower in Baltimore on such programs. Our company is really involved in quite a few programs. We are involved in the Changing Direction Program; we are involved in the Work Release Program because we believe that there has to be a place for people who are ready to come back into society to work.

Insofar as whether or not it provides the same kind of amenities as earlier programs, I would say no. Earlier programs, in my estimation, did more with regard to tying the public sector with the private sector. It did more with regard—and I think it did more primarily because of the availability of resources in the counseling of the youth and the Job Training Partnership Act—and I am not sure but I think the targeted jobs—the tax credit comes under that particular Act, is that correct?

Mr. Hawkins. No; it is separate——

Mr. Edwards. It is separate.

Mr. Hawkins [continuing]. But it can be used.

Mr. Edwards. Yes.

Mr. Hawkins. I assume that in the earlier program, that the individual came to you with certain other services provided and they were able to take advantage of it.

Have you been in any way advised technically by anyone on how you could possibly benefit from the existing program?

Mr. Edwards. Yes; I have been advised. The existing program entails, basically speaking, providing an opportunity for a person to enter, be trained and be reimbursed a certain portion of their salaries for providing them with training. It does not require, as I understand it—it does not require that the person has to be retained, but you are encouraged to do so.

We are involved in such programs at this particular point in time. I am not certain of the numbers of people we have on certain programs, but we are involved in programs of this nature at this time, where we actually have to—we, in fact, work up somewhat of a contract where we indicate what the job is; we indicate the length of time and the length of time required for training a person in a particular job is negotiable.

Mr. Hawkins. Have you placed anyone from the current program at all in jobs that——

Mr. Edwards. Yes. Specifically in the meat area, and primarily because the meat area is probably the highest skill job that we would have at store level. We have done a lot of that because it provides adequate time to take a person through the basics of an apprenticeship program. So we have done that primarily in two areas, in the bookkeeping area and in the meat department, journeymen meatcutters.

Mr. **Hawkins**. Thank you.

Mr. Jeffords.

Mr. **Jeffords**. Thank you for your testimony and I certainly wish we had more people like you; we would have a lot fewer problems.

I would just like to point out that there is the Tryout Youth Employment Program, which under the Job Training Partnership Act requires retention and provides requirements for training. I would like to make you aware of that program.

Mr. **Edwards**. Yes. I know some of these programs, but I think the one point that is missing here is the link between job employment and education. I think that is the part that is missing in my estimation in some of the current programs.

What I like about this program is the requirement that an individual continues to try to obtain a degree of some sort, and I think that is very crucial at this time.

Mr. **Jeffords**. The Tryout Employment Program does have that requirement. I would just point that out.

That is all.

Mr. **Hawkins**. Mr. Owens.

Mr. **Owens**. No questions.

Mr. **Hawkins**. Well, thank you, again, Mr. Edwards. As Mr. Jeffords said, we are privileged to have a person such as yourself come before the committee and I wish to commend you on your interest in this field and certainly your interest in young people. It certainly, I think, bodes very well for the supermarkets, Super Pride Markets, and to your leadership.

Thank you very much.

Mr. **Edwards**. Thank you.

Mr. **Hawkins**. That concludes the hearing. The committee is adjourned, to meet on Thursday morning at 9:30 in 2261.

Thank you very much.

[Whereupon, at 12:15 p.m., the subcommittee was adjourned, to reconvene at 9:30 a.m., Thursday, May 3, 1984.]

[Material submitted for inclusion in the record follows:]

98TH CONGRESS
2D SESSION

H. R. 5017

To establish a program to provide part-time school year and full-time summer employment to economically disadvantaged youth who are pursuing further education or training leading to meaningful unsubsidized employment.

IN THE HOUSE OF REPRESENTATIVES

MARCH 5, 1984

Mr. HAWKINS (for himself, Mr. PERKINS, Mr. ADDABBO, Mr. BERMAN, Mr. BIAGGI, Mrs. BOGGS, Mr. BONIOR of Michigan, Mrs. BOXER, Mrs. BURTON of California, Mr. CLAY, Mrs. COLLINS, Mr. CONYERS, Mr. CORRADA, Mr. COYNE, Mr. CROCKETT, Mr. DELLUMS, Mr. DIXON, Mr. DYMALLY, Mr. EDWARDS of California, Mr. FAUNTROY, Mr. FORD of Tennessee, Mr. FORD of Michigan, Mr. FRANK, Mr. GARCIA, Mr. GRAY, Mrs. HALL of Indiana, Mr. HARRISON, Mr. HAYES, Ms. KAPTUR, Mr. KILDEE, Mr. KOGOVSEK, Mr. LELAND, Mr. LEVINE of California, Mr. LOWRY of Washington, Mr. MARTINEZ, Mr. MITCHELL, Mr. MURPHY, Mr. NOWAK, Mr. OTTINGER, Mr. OWENS, Mr. PRICE, Mr. RANGEL, Mr. ROYBAL, Mr. SAVAGE, Mrs. SCHROEDER, Mr. SCHUMER, Mr. SIMON, Mr. STOKES, Mr. TORRES, Mr. TOWNS, Mr. WAXMAN, Mr. WEISS, Mr. WHEAT, and Mr. WILLIAMS of Montana) introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To establish a program to provide part-time school year and full-time summer employment to economically disadvantaged youth who are pursuing further education or training leading to meaningful unsubsidized employment.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Youth Incentive Employment Act".

PURPOSE

SEC. 2. It is the purpose of this Act to provide part-time employment during the school year and full-time employment or part-time employment combined with training during the summer months to eligible youths who enter into a commitment to actively and diligently pursue further education and training.

ELIGIBLE YOUTH

SEC. 3. (a) An individual may qualify to be an eligible youth for purposes of participating in programs under this Act if such individual—

(1) is sixteen to nineteen years of age, inclusive, at the time of assignment to a worksite;

(2) is economically disadvantaged;

(3) is not employed;

(4) resides in the service delivery area of the administering entity; and

(5) has entered into a commitment to pursue further education or training under subsection (b).

(b) For the purpose of qualifying under subsection (a)(5), an individual shall sign a written commitment with the administering entity by which the individual agrees—

(1)(A) to maintain or resume attendance in a secondary school for the purpose of obtaining a high school diploma;

(B) to maintain or resume attendance in an alternative education program conducted by a local educational agency or community-based organization for the purpose of obtaining a certificate of high school equivalency;

(C) to attend a program of remedial education which meets standards approved by the local educational agency; or

(D) to attend a program of skill training approved by the administering entity;

(2) to equal or exceed the attendance and performance standards of the program in which the individual is enrolled pursuant to paragraph (1); and

(3) to equal or exceed the attendance and performance standards at the worksite to which the individual is referred for employment under this Act.

(c) The priorities for selection among eligible youth established by the youth incentive employment plan under section 6(a)(1) shall give priority to youths with documented educational deficiencies.

(d) An individual's status as an eligible youth shall be terminated upon a finding by the administering entity, after an opportunity for a hearing, that the individual has failed to comply with the terms of the individual commitment under subsection (b).

QUALIFYING EMPLOYMENT

SEC. 4. (a) Funds provided under this Act shall be used for the purpose of establishing and assisting programs which provide eligible youth with—

(1) part-time employment during the regular school year, not to exceed twenty hours per week;

(2) part-time employment, during the months between regular school years, which is combined with remediation, classroom instruction, or on-the-job or apprenticeship training; and

(3) full-time employment for a period of at least eight weeks during the months between regular school years, not to exceed forty hours per week.

(b) Funds provided under this Act may be used—

(1) to pay up to 100 per centum of (A) the wages and benefits, and (B) the costs of any employer-provided instruction and training of an eligible youth during the first six months of qualifying employment described in subsection (a); and

(2) to pay up to 75 per centum of (A) the wages and benefits, and (B) the cost of any employer-provided

instruction and training of an eligible youth during any succeeding months of such qualifying employment.

(c) Funds provided under this Act may not be used to pay any portion of the wages and benefits of any individual—

(1) for full-time employment during the months between the regular school year with a for-profit institution or organization unless such employment is a continuation of employment with that employer during the regular school year; or

(2) if the employer has failed to develop or to enforce attendance and performance standards consistent with the youth incentive plan provisions adopted under section 6(a)(4).

GENERAL REQUIREMENTS FOR RECEIPT AND RESTRICTIONS ON USE OF FUNDS

SEC. 5. (a) In order to obtain funds under this Act to provide eligible youth with qualifying employment, an administering entity shall—

(1) develop and submit to the Secretary a youth incentive employment plan in accordance with section 6; and

(2) provide, from other Federal or State sources, or from local public or private sources, not less than 20 per centum of the cost of programs conducted under

this Act in each program year, which may be provided in cash or inkind.

(b) Of the funds provided under this Act to an administering entity for any program year—

(1) not less than 70 per centum shall be expended for—

(A) wages and benefits for qualifying employment under section 4; and

(B) child care, transportation, or other supportive service expenses for individuals engaged in such employment;

(2) not more than 15 per centum shall be used for the cost of administering programs under this Act; and

(3) any remainder shall be used for worksite supervision, supplies, training aids, and alternative or remedial education expenses.

YOUTH INCENTIVE PLAN

SEC. 6. (a) Each administering entity which desires to obtain funds under this Act shall submit to the Secretary a youth incentive plan which shall include—

(1) procedures for selecting among and allocating priorities to eligible youth for participation in qualifying employment and for selecting employment, training, and education programs which will enable such youth

to obtain meaningful unsubsidized employment upon completion of participation in the program;

(2) provisions to ensure coordination with, and to avoid duplication of, services and assistance made available under the Job Training Partnership Act, the Vocational Education Act of 1963, and the Adult Education Act;

(3) a description of arrangements made with local educational agencies (A) for the establishment and enforcement of attendance and performance standards with respect to education programs for eligible youth participating in qualifying employment, and (B) for the development of flexible class schedules to permit such participation during the regular school year;

(4) a description of arrangements made with private nonprofit organizations, including community-based organizations, for the establishment and enforcement of attendance and performance standards with respect to alternative education programs for eligible youths conducted by such organizations;

(5) a description of arrangements for the development and enforcement of attendance and performance standards with respect to eligible youth on the worksites at which they are engaged in qualifying employment;

(6) provision for outreach services and programs to encourage participation in qualifying employment by eligible youths who are school dropouts, as well as by inschool youths;

(7) assurances that special efforts will be made to recruit youth from families receiving public assistance, including parents of dependent children who meet the age requirement of this Act;

(8) a description of any arrangements made with labor organizations to enable youths to enter into apprenticeship training as part of employment provided under this Act.

(b) No youth incentive plan under subsection (a) shall be submitted to the Secretary unless—

(1) the plan has been approved by the appropriate chief elected official or officials for such area; and

(2) the plan has been approved by the private industry council for the service delivery area;

(3) the plan has been submitted for review and comment to the State job training coordinating council and includes, or is accompanied by—

(A) any comments on the plan made by such council; and

(B) to the extent such comments contain suggestions with which the plan does not conform, an explanation of the reason for the nonconformance.

(c) The Secretary shall approve any plan which is submitted in compliance with the requirements of this Act and shall not disapprove any such plan except after notice and opportunity for a hearing to the administering entity.

SPECIAL CONDITIONS

SEC. 7. (a) The Secretary shall provide financial assistance under this Act only if he determines that the activities to be assisted meet the requirements of this section.

(b) No funds for employment under this Act shall be used to provide public services through a nonprofit organization, association, or institution, or nonprofit private institution of higher education or any other applicant, which were previously provided by a political subdivision or local educational agency in the area served by the project or where the employment and training takes place, and no funds will be used under this Act to provide such services through such an organization or institution which are customarily provided only by a political subdivision or local educational agency in the area served by such project or where the employment and training takes place.

(c) The Secretary shall determine that the activities assisted under this Act—

(1) will result in an increase in employment opportunities over those opportunities which would otherwise be available;

(2) will not result in the displacement of currently employed workers (including partial displacement such as reduction in the hours of nonovertime work or wages or employment benefits);

(3) will not impair existing contracts for services or result in the substitution of Federal for other funds in connection with work that would otherwise be performed;

(4) will not substitute jobs assisted under this Act for existing federally assisted jobs;

(5) will not employ any youth when any other person is on layoff from the same or any substantially equivalent job by the employer to whom the youth would be assigned; and

(6) will not be used to employ any person to fill a job opening created by the act of an employer to whom a youth is assigned in laying off or terminating employment of any regular employee, or otherwise reducing the regular work force not supported under this Act, in anticipation of filling the vacancy so created with a youth to be supported under this Act.

(d) The jobs in each promotional line will in no way infringe upon the promotional opportunities which would otherwise be available to persons currently employed in public services not subsidized under this Act and no job will be filled in other than an entry level position in each promotional line until applicable personnel procedures and collective-bargaining agreements have been complied with.

(e) Where a labor organization represents employees who are engaged in similar work in the same area to that proposed to be performed under the program for which an application is being developed for submission under this Act, such organization shall be notified and shall be afforded a reasonable period of time prior to the submission of the application in which to make comments to the applicant and to the Secretary.

(f) Funds under this Act shall not be used to provide full-time employment opportunities (1) for any person who has not attained the age with respect to which the requirement of compulsory education ceases to apply under the laws of the State in which such individual resides, except (A) during periods when school is not in session, and (B) where employment is undertaken in cooperation with school-related programs awarding academic credit for the work experience, or (2) for any person who has not attained a high school degree or its equivalent if it is determined, in accordance with procedures established by the Secretary, that there is substantial evidence that such person left school in order to participate in any program under this Act.

(g) Appropriate efforts shall be made to ensure that youths participating in programs, projects, and activities under this Act shall be youths who are experiencing severe handicaps in obtaining employment, including but not limited to those who lack credentials (such as a high school diploma), those who require substantial basic and remedial skill development, those who are women and minorities, those who are veterans of military service, those who are offenders, those who are handicapped, those with dependents, or those who have otherwise demonstrated special need, as determined by the Secretary.

(h) The Secretary is authorized to make such reallocation as the Secretary deems appropriate of any amount of any allocation under this Act to the extent that the Secretary determines that an administering entity will not be able to use such amount within a reasonable period of time. Any such amount may be reallocated only if the Secretary has provided thirty days' advance notice to the administering entity of the proposed reallocation, during which period of time the entity may submit comments to the Secretary. After considering any comments submitted during such period, the Secretary shall notify the entity of any decision to reallocate funds, and shall publish any such decision in the Federal Register. Priority shall be given in reallocating such funds to other areas within the same State.

(i) All activities assisted under this Act, pursuant to such regulations as the Secretary shall prescribe, shall provide appropriate counseling and placement services designed to facilitate the transition of youth from participation in the project to (1) permanent jobs in the public or private sector, or (2) education or training programs.

(j) Earnings and allowances received by any youth under this Act shall be disregarded in determining the eligibility of the youth's family for, and the amount of, any benefits based on need under any Federal or federally assisted programs.

WAGE PROVISIONS

SEC. 8. Rates of pay under this Act shall be no less than the higher of—

(1) the minimum wage under section 6(a)(1) of the Fair Labor Standards Act of 1938;

(2) the State or local minimum wage for the most nearly comparable employment;

(3) the prevailing rates of pay, if any, for occupations and job classifications of individuals employed in the same or similar positions by the same employer to whom a youth is assigned, except that—

(A) whenever the administering entity has entered into an agreement with the employer and the labor organization representing employees engaged in similar work in the same area to pay less than the rates provided in this paragraph, youths may be paid the rates specified in such agreement;

(B) whenever an existing job is reclassified or restructured, youths employed in such jobs shall be paid at rates not less than are provided under paragraph (1) or (2), but if a labor organization represents employees engaged in similar work in the same area, such youths shall be paid at rates specified in an agreement entered into by the appropriate administering entity, the employer, and the labor organization with respect to such reclassified or restructured jobs, and if no agreement is reached within thirty days after the initiation of the agreement procedure referred to in this clause the labor organization, administering entity, or employer may petition the Secretary, who shall establish appropriate wages for the reclassified or restructured positions, taking into account wages paid by the same employer to persons engaged in similar work;

(C) whenever a new or different job classification or occupation is established and there is no dispute with respect to such new or different job classification or occupation, youths to be employed in such jobs shall be paid at rates not less than are provided in paragraph (1) or (2), but if there is a dispute with respect to such new or different job classification or occupation, the Secretary, shall within thirty days after receipt of the notice of protest by the labor organization representing employees engaged in similar work in the same area, make a determination whether such job is a new or different job classification or occupation; and

(D) in the case of projects to which the provisions of the Davis-Bacon Act (or any Federal law containing labor standards in accordance with the Davis-Bacon Act) otherwise apply, the Secretary is authorized, for projects financed under $5,000, to prescribe rates of pay for youth participants which are not less than the applicable minimum wage but not more than the wage rate of the entering apprentice in the most nearly comparable apprenticeable trade, and to prescribe the appropriate ratio of journeymen to such participating youths.

AUTHORIZATION AND ALLOCATION OF FUNDS

SEC. 9. (a) There are authorized to be appropriated for allocation to administering entities for programs under this Act, $2,000,000,000 for fiscal year 1985 and such sums as may be necessary for each succeeding fiscal year.

(b)(1) After reserving the amount required for allocation under subsection (c), the remainder of the amount appropriated under subsection (a) for any fiscal year, shall be allocated among administering entities that have in effect an approved youth incentive plan under section 6 as follows:

(A) One-third of such remainder shall be allocated among such entities on the basis of the relative number of economically disadvantaged youth in the service delivery area of such an entity as compared to the number of such youths in the service delivery area of all such entities.

(B) One-third of such remainder shall be allocated among such entities on the basis of the relative number of unemployed in the civilian labor force residing in the service delivery area of such an entity as compared to the number of such unemployed residing in the service delivery areas of all such entities.

(C) One-third of such remainder shall be allocated among such entities on the basis of the relative excess number of unemployed individuals who reside in the service delivery area of such an entity as compared to the total excess number of unemployed individuals in the service delivery areas of all such entities.

(2) For the purpose of paragraph (1)(C), the term "excess number" means the number which represents the number of unemployed individuals in excess of 6.5 per centum of the civilian labor force in the service delivery area.

(c) The Secretary shall reserve 2 per centum of the amount appropriated under subsection (a) for any fiscal year for allotment among Native American eligible entities. Such amount shall be allotted among such entities on an equitable basis, taking into account the extent to which regular employment opportunities have been lacking for long-term periods among individuals within the jurisdiction of such entities.

PAYMENTS AND EXPENDITURES

SEC. 10. (a) Amounts allocated under section 9 to an administering entity for a service delivery area shall be paid to the grant recipient for that area.

(b) Beginning with fiscal year 1986 and thereafter, appropriations for any fisc[illegible]ar for programs and activities under this Act shall be available for obligation only on the basis of a program year. The program year shall begin on July 1 in the fiscal year for which the appropriation is made.

(c) Funds obligated for any program year may be expended by each recipient during that program year and the two succeeding program years and no amount shall be deobligated on account of a rate of expenditure which is consistent with the job training plan.

(d)(1) Appropriations for fiscal year 1985 shall be available both to fund activities for the period between October 1, 1984, and July 1, 1985, and for the program year beginning July 1, 1985.

(2) There are authorized to be appropriated such additional sums as may be necessary to carry out the provisions of this subsection for the transition to program year funding.

ADMINISTRATIVE AND ENFORCEMENT PROVISIONS

SEC. 11. To the extent consistent with the provisions of this Act, the following provisions of the Job Training Partnership Act shall apply to the programs conducted under this Act as if such programs were conducted under the Job Training Partnership Act:

(1) section 141, relating to general program requirements, except for subsections (g), (k), and (p);

(2) section 143, relating to labor standards;

(3) section 144, relating to grievance procedure;

(4) section 145, relating to prohibiting Federal control of education;

(5) section 162, relating to prompt allocation of funds;

(6) section 163, relating to monitoring;

(7) section 164, relating to fiscal controls and sanctions, except for subsections (a) and (b);

(8) section 165, relating to reports, recordkeeping, and investigations, except for subsection (c);

(9) section 166, relating to administrative adjudication;

(10) section 167, relating to nondiscrimination;

(11) section 169, relating to administrative provisions;

(12) section 170, relating to use of services and facilities; and

(13) section 171, relating to obligational authority.

REPORTS

SEC. 12. (a) The adminstering entity shall report to the Secretary of Labor quarterly concerning the youth incentive projects authorized under this Act. Included in such reports shall be findings with respect to—

(1) characteristics of participants enrolled at the time of the report;

(2) the cost of providing employment opportunities to such youths;

(3) the degree to which such employment opportunities have caused out-of-school youths to return to school or others to remain in school;

(4) the number of youths provided employment in relation to the total which might have been eligible;

(5) the kinds of jobs provided such youths and a description of the employers—public and private—providing such employment; and

(6) the degree to which on-the-job or apprenticeship training has been offered as part of the employment.

(b) The Secretary shall compile the reports submitted under subsection (a) and shall submit a summary of the findings to the Congress in the annual report for employment and training programs required by section 169(d) of the Job Training Partnership Act.

DEFINITIONS

SEC. 13. As used in this Act—

(1) The term "administering entity" for any service delivery area means the entity selected to administer the job training plan for that service delivery area pursuant to section 103(b)(1)(B) of the Job Training Partnership Act.

(2) The term "appropriate chief elected official or officials" has the meaning provided such term by section 103(c) of the Job Training Partnership Act.

(3) The term "community-based organization" has the meaning provided such term by section 4(5) of the Job Training Partnership Act.

(4) The term "economically disadvantaged" means an individual who (A) receives, or is a member of a family which receives, cash welfare payments under a Federal, State, or local welfare program; (B) has, or is a member of a family which has, received a total family income during the six-month period prior to certification (exclusive of unemployment compensation, child support payments, and welfare payments) which, in relation to family size, was not in excess of the higher of (i) the poverty level determined in accordance with criteria established by the Director of the Office of Management and Budget, or (ii) 70 per centum of the lower living standard income level; (C) receives, or is a member of a family which receives, food stamps pursuant to the Food Stamp Act of 1977; (D) is a foster child on behalf of whom State or local government payments are made; or (E) is a handicapped individual whose own income meets the requirements of clause (A) or (B), but who is a member of a family whose income does not meet such requirements.

(5) The term "grant recipient" means, for any service delivery area, the entity selected as the grant recipient pursuant to section 103(b)(1)(B) of the Job Training Partnership Act.

(6) The term "local educational agency" has the meaning provided such term by the Vocational Education Act of 1963.

(7) The term "Native American eligible entity" means any Native American Indian tribe, band, or group on a Federal or State reservation, the Oklahoma Indians, and any Alaska Native village or group (as defined in the Alaska Native Claims Settlement Act), having a governing body.

(8) The term "private industry council" means any council established in accordance with section 102(a) of the Job Training Partnership Act.

(9) The term "qualifying employment" means employment which meets the requirements of section 4 of this Act.

(10) The term "Secretary" means the Secretary of Labor.

(11) The term "service delivery area" means any service delivery area established in accordance with section 101 of the Job Training Partnership Act.

(12) The term "State job training coordinating council" means any council established pursuant to section 122 of the Job Training Partnership Act.

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RECEIVED
MAY 21 1984
SUBCOMMITTEE ON
EMPLOYMENT OPPORTUNITIES

May 14, 1984

The Honorable Gus Hawkins
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Hawkins:

Enclosed are two studies I had promised I would send when I testified before your sub-committee on Employment Opportunities on May 1. The study by Borus and Carpenter addresses the reasons for dropping out of school. The study by D'Amico and Baker relates work while in high school with unemployment subsequent to leaving school. The studies are contained in two major reports that we submitted to the U.S. Department of Labor in 1982 and 1984 respectively. I hope you will find them useful.

Sincerely,

Stephen M. Hills

Stephen M. Hills
Associate Professor

encl.

SMH:as

College of Administrative Science

PATHWAYS TO THE FUTURE, Vol. IV

A Report on the National Longitudinal Surveys of Youth Labor Market Experience in 1982

by

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and

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Revised: April 1984

This paper was prepared under a contract with the Employment and Training Administration, U.S. Department of Labor, under the authority of the Comprehensive Employment and Training Act. Researchers undertaking such projects under Government sponsorship are encouraged to express their own judgments. Interpretations or viewpoints contained in this document do not necessarily represent the official position or policy of the Department of Labor.

CHAPTER 1

THE NATURE AND CONSEQUENCES OF HIGH SCHOOL EMPLOYMENT

by
Ronald D'Amico*
and
Paula Baker

I. INTRODUCTION

Uncovering the factors that give rise to a smooth transition from school to work has been a high priority area for policy researchers for some time now. Nevertheless, identifying these factors, and indeed even recognizing successful labor market entrance, remains problematic. Certainly for many youth this transition is not a very satisfactory experience. A youth unemployment rate two to three times the national average as well as the often-observed substantially higher turnover rates of those under 25 years of age graphically underline that fact.

Among the factors which can improve the process of work establishment, work experience while still in school is often cited as being important. This study focuses on the effects of high school employment experience on job finding after leaving school and on the hourly wage and occupational status of post-school jobs held. An additional focus of the research will be to examine the extent to which work while in high school interferes with subsequent educational progress, including academic standing and the probabilities of dropping out of high school and attending college.

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*Thanks to members of a Center for Human Resources seminar for helpful comments. Special thanks to Dennis Grey for enormously helpful programming assistance and to Sherry Stoneman for excellent clerical help.

II. WORK IN HIGH SCHOOL: PREPARATORY SOCIALIZATION OR DISTRACTION?

The employment of high school students is extensive. Shapiro (1979) estimates that in 1979 62 percent of high school students were also in the labor force, and Johnston and Bachman (1973) arrive at figures nearly that large in their sample of eleventh and twelfth graders. Moreover, Lewis, et al. (1983) show that a substantial proportion of these students usually work more than twenty hours per week during the school year.

Reasons why this high school employment might ease the transition to adult work roles are straightforward. Employed students can acquire skills which are of direct value to employers; this investment in human capital could result in relatively higher post-schooling earnings. Students could also be enhancing their stock of information about the world of work and forging contacts with prospective employers which improve the effectiveness of their post-school job matching process.

Second, high school employment can be viewed as a form of preparatory socialization which eases the psychological and social trauma associated with a major and unsettling transition for many people. Thus, those who have had some employment experience prior to assuming the full responsibilities of adult work roles could have had the chance to acquire appropriate work habits and attitudes and in other ways become more gradually acclimated to the new expectations being placed upon them.

Finally, as Lewis, et al. (1983) point out, the money which youth earn by working throughout the school year is by no means insubstantial. These sums can make an important contribution to a family's economic well-being, and for some youth may make the difference in enabling them to further their education.

At the same time, the costs associated with acquiring high school work experiences should not be glossed over, as they have in recent discussions of these issues (e.g. Meyer and Wise, 1982a). Working while attending school may distract youth from their primary role obligation at this life cycle stage. The time constraints implied by combining school and work roles may mean that insufficient time can be devoted to studying, with consequent implications for grade achievements. These considerations assume heightened importance in the context of recently voiced concern over falling standards of academic excellence (National Commission, 1983). Similarly, extracurricular participation, which has been shown to have advantages for educational outcomes (e.g., Hanks and Eckland, 1976) and psychological adjustment (Otto and Featherman, 1975), may also be precluded. All these considerations suggest that employment during the school year may interfere with normal educational progress and that working students may thereby end up with less than their optimal educational credentials. Indeed, these cross-cutting effects of high school work experience suggest Greenberger's (1983) recent observation that working a few hours per week may instill desirable work habits and attitudes, but any greater work obligations may exact a costly toll from the students' scholastic lives. These considerations lead us to pay particular attention to possible nonlinear effects of high school work experience on educational and post-schooling employment outcomes.

III. DATA AND METHODS

Previous investigations of the effects of high school employment have been hampered by limitations of available measures of high school work experience. Johnston and Bachman (1973) find modest to small effects of total months worked from eighth grade to the end of high school on post-school hourly wage and unemployment status. Meyer and Wise (1982a; 1982b) find substantial effects of "usual hours" worked in high school on weeks worked after leaving school, and smaller effects on hourly wage. Neither study has the luxury of considering more refined measures of high school work intensity. Moreover, Meyer and Wise, relying on data from the High School Class of 1972, can consider only those who have attained at least twelve years of schooling. Thus they cannot consider the effects of high school employment on the probability of dropping out. That these effects may be substantial is suggested by their observation that high school employment appears to be inversely related to the probability of attending college.

This study aims to circumvent these difficulties by using more detailed measures of high school employment and also of educational and employment outcomes. Not only will hours and weeks worked be included in all equations as measures of work intensity, but the effects of the quality of those employment experiences will also be examined. One difficulty in examining these issues relates to the possibility that any observed high school employment effects may be spurious reflections of pre-existing attributes of individuals not gained through work, but leading both to high school employment and to the other observed outcomes. Meyer and Wise (1982a) suggest this interpretation in explaining their findings of strong and persistent high school employment effects on weeks worked after leaving school. In order to mitigate this possibility here we attempt to identify and hold constant these pre-existing attributes and predispositions as much as possible.

Data for this study are taken from the 1979 through 1982 waves of the National Longitudinal Surveys of Youth. All analyses in this paper are restricted to those enrolled in grades 10 through 12 at some time since January 1, 1978 but not enrolled in those grades by the time of the 1982 interview. The latter restriction is implemented to allow some post-high school outcomes to be observed for all respondents. Of the original sample size of over 12,000 cases, just under 6,000 meet these conditions.

The two key high school work intensity varibles used in this study are "percent of weeks worked more than 20 hours during the school year" and "percent of weeks worked 1 to 20 hours during the school year." Because prior research has found only limited variation in the extent of summer employment among high schoolers and no effects of this employment on post-schooling outcomes (Johnston and Bachman, 1973), summer employment is not considered here. Moreover, to avoid considering summer employment which begins in the several weeks before the school term ends or which lasts several weeks beyond the start of a new term, the school year is defined for purposes of this study as beginning on September fifteenth and ending on the May fifteenth of the subsequent year.[1]

The work intensity variables are calculated from the extensive work history information collected in each survey year. In particular, start and stop dates, periods of interruption of employment, and usual hours worked are available from January 1, 1978 to the date of the 1982 survey for all jobs held that are "...not odd jobs... (but are) jobs done on a more or less regular basis." The one exception to this is those respondents who are under 16 years old on any given survey date, for whom data are available only on survey week job and jobs which are a part of government or school sponsored training programs. Accordingly, the high school work experience variables of especially those in grade 10 must be deemed to be an underestimate of actual work experience.[2]

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[1] Prior to the 1980 interview date, enrollment status is gauged by a question asking whether the respondent is currently enrolled, and, for those answering 'no,' the date last enrolled. For these survey years, enrollment status is assumed to be continuous from 9/15 of the preceding year to the interview date (interviews are generally conducted in the first few months of each year) for those reporting they are currently enrolled, or to date last enrolled for those not currently enrolled but enrolled sometime since the start of the school year. Moreover, for the first group, unless the subsequent year's interview reports a date last enrolled prior to 5/15 of the previous year, enrollment status is further assumed continuous to 5/15. Subsequent to the 1980 interview date, a monthly school attendance variable is available for each respondent. The school year is still defined as beginning on 9/15 and ending on 5/15 of the subsequent year, but the monthly enrollment status variable enables month-long interruptions in school attendance to be registered for each respondent.

Because of known non-additivities in the determination of educational and labor force outcomes, all results in this chapter are presented separately by sex and minority status. Minority status has two categories, "white" and "minority," with the second category consisting of black and Hispanic respondents and the first category consisting of all others.[3]

IV. THE EXTENT OF WORK AMONG HIGH SCHOOL YOUTH

The available data permit a variety of ways of characterizing the work experience of high school youth. Several of these are portrayed in Tables 1.1 and 1.2. These tables present for females and males, respectively, information on the extent of high school work experience by year in school and minority status.

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[2] The work intensity variables are calculated using the usual hours worked, start and stop dates, and intervening periods when not at work for all jobs reported from January 1, 1978 to the 1982 survey. By coordinating enrollment status information with work experience data for each week, and by summing usual hours worked for those working at more than one job in a given week or weeks, the employment status and hours worked for each week during each 9/15 to 5/15 period from 1979 to 1982 can be calculated. Employment during this interval in a month the respondent reported he or she was not attending school, and/or employment during this period after his or her reported date last enrolled are excluded from both the numerator and denominator in creating the "percent weeks worked more than 20 hours per week during the school year" and "percent weeks worked 1 to 20 hours per week during the school year" variables.

[3] Hispanics are not included in the "whites" catgory because of their status as a minority group. Combining blacks and Hispanics into a single equation doubtless masks some important differences between these two groups, but small sample sizes in some equations preclude estimating equations separately for each of them. Moreover, preliminary results showed the two groups to be more like each other in the processes under examination here than either group is like "whites."

Grade 10 Employment

As Michael and Tuma (1983) have shown, work experience even among very young high school youth is extensive. Thirty-eight percent of white females and nearly one-half of white males are employed at least one week during their sophomore year in high school. But while a substantial number of these youth apparently have some exposure to the labor market, the intensity of their work involvement is clearly limited. The average white male youth in grade 10 worked no more than one-fifth the school year and fewer than five hours per week. In fact, by far the majority of respondents who worked averaged fewer than 10 hours per week.

The work intensity figures for white males are larger than the corresponding figures for females, but the differences are rather modest. Compared with the quite substantial 12 percentage point difference in grade 10 employment rates in favor of males, these modest sex differences in the mean work intensity measures are all the more surprising. Tables 1.3 and 1.4 shed further light on sex differences in work intensity by presenting additional descriptive statistics on work experiences for females and males, respectively, with the universe restricted to those who had some work experience while attending any of the grades. For those in grade 10, as expected, sex differences in work involvement show a further narrowing, although males still show slightly greater work involvement than females. Similarly, both sexes show very stable employment patterns, with about three-

Table 1.1 Extent of School Year Employment for Females, by Year in School and Minority Status

Variables	Grade 10		Grade 11		Grade 12	
	Minority	White	Minority	White	Minority	White
% who worked:						
At least one week	21.4	33.0	37.8	62.5	52.8	71.1
Half the school year or more	6.7	14.0	21.1	42.0	37.3	53.8
Usual hours worked per week	1.6	2.9	4.0	7.9	8.2	12.4
% whose usual hours worked is:						
1 to 10 hours/week	16.1	27.7	23.6	27.7	19.3	21.7
Greater than 10 to 20 hours/week	3.9	7.9	8.8	23.1	18.9	22.9
More than 20 hours/week	1.4	2.3	5.4	11.7	14.7	26.4
Didn't work	78.6	62.0	62.2	37.5	47.1	28.9
% of weeks in school year worked:						
More than 20 hours/week	3.1	4.1	7.1	13.7	16.6	25.8
1 to 20 hours/week	5.8	13.8	14.4	28.5	19.7	26.8
Total % weeks worked	8.9	17.9	21.5	42.2	36.3	52.7
N	360	429	611	707	866	1100

UNIVERSE: Students enrolled for at least fifteen weeks in the grade labelled at the top of the columns. However, nearly all students enrolled for at least fifteen weeks were also enrolled for the entirety of the school year.

Table 1.2 Extent of School Year Employment for Males, by Year in School and Minority Status

Variables	Grade 10		Grade 11		Grade 12	
	Minority	White	Minority	White	Minority	White
% who worked:						
At least one week	35.5	49.6	52.8	70.8	62.0	75.0
Half the school year or more	12.7	16.1	28.8	48.9	41.1	57.2
Usual hours worked per week	3.7	4.3	6.9	10.6	11.4	14.9
% whose usual hours worked is:						
1 to 10 hours/week	22.2	35.0	24.6	28.1	19.5	19.1
Greater than 10 to 20 hours/week	7.8	10.0	17.1	22.1	18.3	21.1
More than 20 hours/week	5.5	4.6	11.1	20.7	24.3	34.7
Didn't work	65.5	50.4	47.2	29.2	38.0	25.0
% of weeks in school year worked:						
More than 20 hours/week	6.8	7.8	12.6	22.1	24.0	32.9
1 to 20 hours/week	9.9	13.8	18.6	26.0	18.5	23.2
Total % weeks worked	16.7	21.6	31.2	48.1	42.6	56.1
N	361	452	566	730	771	1098

UNIVERSE: Students enrolled for at least fifteen weeks in the grade labelled at the top of the columns. However, nearly all students enrolled for at least fifteen weeks were also enrolled for the entirety of the school year.

quarters of respondents accruing all their grade 10 work experience with a single employer. What is striking, however, is the substantial sex difference in mean hourly wage, with males averaging about 50¢ an hour more than females.[4] What the figures for whites seem to show, then, is a surprisingly substantial (for respondents so young) employment rate, especially among males, but with those who work showing on average quite limited amounts of work commitment.

Within each sex, differences in grade 10 employment across minority group status are if anything even more striking. As previously mentioned, nearly one-half of white males worked at least one week during the school year, but only 35 percent of minority males were so employed; thirty-eight percent of white females worked while in school, but the corresponding figure for minority females is only 21.4 percent. Interestingly, however, among males who worked at least one week, the inter-race differences do not show a consistent pattern of greater work commitment in favor of whites. In fact, among males who worked at least one week while in grade 10, blacks and Hispanics worked nearly 2 hours per week more on average than whites and they were over six percentage points more likely to be working an average of more than twenty hours per week during the school year. By contrast, among females, whites, who have the higher rate of employment, also demonstrate a higher degree of work intensity, although the latter difference is quite small. By implication, the very modest sex differences in work intensity observed among whites loom much larger among minority group members. Not only are black and Hispanic males much more likely than females to have worked at some time during the school year, but those who worked are substantially more likely to have usually worked 20 hours a week or more and they work on average three hours longer per week.

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[4] All hourly wage figures throughout this chapter are reported in 1982 dollars. The CPI index was used in adjusting figures.

Given the relative intensity of the work commitment among minority group males who work, it is tempting to infer that the race differences in employment rates might be due to the particular difficulties minority group members have in finding employment. Indeed, the unemployment rates of minority teenagers are known to be substantially larger than the corresponding figures for whites (Santos, 1979). If discrimination or related factors do play such a role, there is no evidence of its operation once employment is secured. Although small sample sizes make these figures suspect, Tables 1.3 and 1.4 show that the hourly wages of male and female minority group members substantially exceed those of their white counterparts. Minority females earn 37¢ more than white females and minority males earn 16¢ more per hour than any other group.

Grades 11 and 12 Employment.

As one moves across the columns of Tables 1.1 through 1.4 to consider the employment experiences of youth in grades 11 and 12, one immediately sees a sharp and steady increase in all measures of labor force experience and work intensity for all four race/sex groups. For example, whereas 38 percent of white females worked at least one week in grade 10, 62.5 percent did so in grade 11 and 71.1 percent did so in grade 12; whereas 14 percent worked half the school year or more in grade 10, 42 percent did so in grade 11 and 53.8 percent did so in grade 12; the average white female worked 2.9 hours per week in grade 10, but over 12 hours per week by grade 12. Similarly, among those who worked at least one week, Table 1.3 shows that 6.1 percent of white females worked an average of more than 20 hours per week in grade 10, but by

Table 1.3 Nature of School Year Employment for Females Who Worked, by Year in School and Minority Status

Variables	Grade 10		Grade 11		Grade 12	
	Minority	White	Minority	White	Minority	White
Usual hours worked per week	7.4	7.7	10.6	12.6	15.6	17.4
% whose usual hours worked is:						
1 to 10 hours/week	75.2	72.9	62.4	44.3	36.6	30.5
Greater than 10 to 20 hours/week	18.2	20.9	23.2	37.0	36.8	32.2
More than 20 hours/week	6.5	6.1	14.3	18.7	27.8	37.2
% of weeks in school year worked:						
More than 20 hours/week	14.5	10.8	18.8	21.9	31.4	36.3
1 to 20 hours/week	27.1	36.3	38.1	45.6	37.2	37.7
Total % weeks worked	41.6	47.1	56.9	67.5	68.6	74.1
Average hourly wage[1]	2.50	2.13	2.81	2.55	2.91	3.07
Number of employers (%):						
1	84.5	76.8	82.5	68.1	76.1	69.6
2	13.8	16.8	15.0	25.6	19.2	22.5
3 or more	1.7	6.4	2.6	6.3	4.7	8.0
N	77	163	231	442	458	782

UNIVERSE: For the first two columns of figures restricted to those enrolled for at least 15 weeks in grade 10 who worked at least one week while attending this grade: for the third and fourth columns, to those enrolled at least 15 weeks in grade 11 who worked at least one week while attending this grade: and for the final two columns, to those enrolled for at least 15 weeks in grade 12 who worked at least one week while attending this grade.

[1] All hourly wage figures are reported in 1982 dollars.

Table 1.4 Nature of School Year Employment for Males Who Worked, by Year in School and Minority Status

Variables	Grade 10		Grade 11		Grade 12	
	Minority	White	Minority	White	Minority	White
Usual hours worked per week	10.5	8.7	13.0	15.0	18.3	19.9
% whose usual hours worked is:						
1 to 10 hours/week	62.5	70.6	46.6	39.7	31.4	25.5
Greater than 10 to 20 hours/week	22.0	20.2	32.4	31.2	29.4	28.1
More than 20 hours/week	15.5	9.3	21.0	29.2	39.2	46.3
% of weeks in school year worked:						
More than 20 hours/week	19.2	15.8	23.9	31.2	38.7	43.9
1 to 20 hours/week	27.9	27.8	35.2	36.7	29.8	31.0
Total, % weeks worked	47.1	43.6	59.1	67.9	68.6	74.9
Average hourly wage[1]	2.88	2.72	2.86	2.93	3.12	3.27
Number of employers (%):						
1	70.9	71.9	74.0	67.9	76.5	69.2
2	20.9	22.2	21.6	25.3	18.9	24.4
3 or more	8.2	6.0	4.4	6.8	4.6	6.4
N	128	224	299	517	478	823

UNIVERSE: For the first two columns of figures restricted to those enrolled for at least 15 weeks in grade 10 who worked at least one week while attending this grade: for the third and fourth columns, to those enrolled at least 15 weeks in grade 11 who worked at least one week while attending this grade: and for the final two columns, to those enrolled for at least 15 weeks in grade 12 who worked at least one week while attending this grade.

[1] All hourly wage figures are reported in 1982 dollars.

grade 12 37.2 percent did so. Equally striking patterns appear for each of the other race/sex groups. By grade 12 we observe that about two-thirds to three-quarters of all groups except minority females work sometime during the school year, with nearly 40 percent of all four groups working more than half the weeks of their senior year in high school. Moreover, those who work show astonishingly high levels of work intensity; nearly one-half of white males who worked in grade 12 did so an average of more than 20 hours per week throughout the school year. Despite this increased work intensity, however, the predominance of attachment to only one employer continues. About 70 percent of all race/sex groups work for just one employer in each school year.

Given that all race/sex groups show roughly parallel increases in labor force participation and work intensity over the three school years, we might expect the race and sex differences in work experience we observed in grade 10 to apply with equal force in grades 11 and 12. In general this is true. Males of both races show higher levels of labor force participation and work intensity than females, and whites show higher levels than minorities. But some notable differences emerge by grade 12. Minority males have lost their edge in work intensity to white males, and more strikingly minority members of both sexes have lost their advantage in average hourly wage. By grade 12, white males earn $3.27 an hour, followed by minority males at $3.12, white females at $3.07 and lastly minority females at $2.91. Whatever advantage minority group members had in grade 10 has obviously and decisively disappeared by grade 12. In any case, as judged by these hourly wage figures, the sorts of jobs young people have are obviously not lucrative; even white males are earning on average less than the 1982 minimum wage of $3.35 an hour for covered employment.

A further look at the kinds of jobs youth hold in high school is given in Table 1.5, which presents Census 1-digit occupation and industry distributions for the grade 12 survey week job for each race/sex group.[5] Predictably, the bulk of employment for females occurs in clerical, service and to a lesser extent sales occupations, with slightly more minority than white women in clerical occupations. Service work constitutes the largest single category of employment for males, with laborers and operatives also accounting for sizable portions of male youth employment. Doubtless, the fact that one-third of youth employment in all race/sex categories is in service occupations reflects the heavy reliance of fast food and similar establishments on young workers. But beyond this, the familiar sex segregation into occupational roles has already begun to appear in even these very early labor force episodes. Somewhat surprising at first glance is the substantially higher average Duncan SEI score for female workers, with minority females actually leading all other groups. Their status likely derives from the preponderance of women in white collar occupations at an age where males have not yet established their footholds in professional and managerial occupations.

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[5] While the NLS collects complete hours and weeks worked information for each year for all youth sixteen years of age and older, occupation, industry and hourly wage data are available only for: (a) the survey week job, and (b) all other jobs held which lasted for 9 weeks or more and whose usual hours worked per week was at least 20 hours. In order to avoid unduly biasing job characteristics data by disproportionately counting jobs of longer and steadier duration, all occupation, industry and hourly wage data for school year jobs used throughout this chapter refer to survey week jobs only. For those who worked at more than one job during the school year, job characteristics of survey week job only are used; for those who worked sometime during the school year but were not employed at the time of the survey, occupation, industry and hourly wage data are considered NA; for those few respondents interviewed after May 15 in a given year, occupation, industry and hourly wage data are similarly considered NA. The implication of the decision not to use non-survey week job data where available, however, means that sample sizes are somewhat smaller than they might otherwise be.

Table 1.5 Grade 12 Occupation and Industry Distribution for Those Who Worked, by Sex and Minority Status

Variable	Female		Male	
	Minority	White	Minority	White
Occupation (%):				
Professional, technical and kindred	1.0	1.7	2.4	2.6
Managers and administrators, exc. farm	0.7	0.8	1.0	1.5
Sales	11.0	11.3	5.4	7.3
Clerical	44.9	36.1	9.1	6.7
Crafts	0.7	1.0	8.4	9.7
Operatives	3.8	3.5	14.2	13.5
Laborers, exc. farm	2.7	2.5	19.9	21.0
Farm managers and laborers	-	0.8	3.0	6.2
Service workers	34.2	36.7	36.5	31.3
Private household	1.0	5.6	-	.2
Average Duncan SEI score	33.9	31.2	21.2	21.3
Industry (%):				
Agriculture, forestry, fisheries	-	1.4	4.1	7.3
Construction	0.3	0.6	5.7	4.3
Manufacturing	5.2	5.8	9.1	10.3
Wholesale and retail trade	45.7	54.6	44.6	54.4
Services, exc. professional	7.1	12.2	12.9	11.6
Professional services	31.3	17.7	16.9	7.1
Public administration	5.5	1.9	2.4	1.9
Other (inc. mining, utilities, and finance)	4.8	5.9	4.3	3.0
N	291	515	296	533

UNIVERSE: Students attending grade 12 for at least 15 weeks, who reported a survey week job and who were interviewed during the school year.

The reliance of youth upon fast food establishments for work experience is again apparent in the industry distributions. Wholesale and retail trade accounts for roughly 50 percent of the employment of youth in all race/sex categories, though for whites somewhat more than for minorities. Other industries accounting for a sizable share of youth employment are service industries and, to a lesser extent, manufacturing.

Employment over the School Years.

Looking at youth employment cross-sectionally, as we have to this point, does not enable us to examine the patterns of youth employment across school years. Table 1.6 sheds an interesting light on this matter by reporting frequencies of the patterns of youth employment and nonemployment in each of grades 10, 11 and 12. A '1' in any of the three leftmost columns indicates employment for at least one week during that school year; a '0' indicates no employment in that year. Thus, the percentages identified by the row heading '111' indicates the percent of youth employed in each of their tenth, eleventh and twelfth years in school; the row headed '000' indicates the percent employed in none of those years. The predominant patterns of youth employment become quite clear in this display. Among whites, only 15 percent of males and 18 percent of females have been employed in none of these three high school years. By contrast, 38.5 percent and 28.2 percent, respectively, have been employed during some portion of all three years. As earlier tables have shown, about 70 percent of whites of both sexes are employed in their senior year. The striking pattern for whites of both sexes is for grade 10 employment to be associated with employment in both grade 11 and grade 12, and for employment in grade 11 to be overwhelmingly associated with employment in grade 12. That is, discontinuous employment histories are by far the

Table 1.6 Patterns of High School Employment, by Sex and Minority Status (%)

Worked in grade*			Female		Male	
10	11	12	Minority	White	Minority	White
0	0	0	37.5	18.1	26.8	15.0
1	0	0	2.9	3.1	2.4	3.0
0	1	0	8.7	4.9	5.4	6.3
1	1	0	2.5	4.2	2.4	4.3
1	0	1	3.3	2.4	2.0	1.7
0	0	1	18.8	15.0	16.6	9.0
0	1	1	14.6	24.0	20.5	22.3
1	1	1	11.7	28.2	23.9	38.5
N			240	287	205	301

*A '1' under a column indicates employment at least one week while in that grade in school. A '0' indicates no employment in that grade.

NOTE: Respondents in this table attended and were interviewed in each of their sophomore, junior and senior years of school.

exception. In all these characteristics, white males and females are certainly more alike than different.

However, differences across minority group status within each of the sexes are pronounced. In particular, minority group members are much more likely to have been employed in none of the school years (26.8 percent of males and 37.5 percent of females) and much less likely to have been employed in all three years (23. 9 percent of males and 11.7 percent of females). They also display patterns of discontinuous employment somewhat more frequently, possibly reflecting a greater inability to find employment when it is desired. And, as earlier tables have shown, sex differences among minority groups are far more pronounced than they are among whites. Relative to minority males, minority females are half again as likely to accrue no employment experience during high school and half as likely to have been employed in all three years.

In summary, these descriptive data on the high school work experience of youth reveal the following patterns: (1) Even as of grade 10 a surprisingly large proportion of high schoolers report some work experience during the school year, ranging from just over one-third of minority females to nearly 50 percent of white males. Those who work, however, report only very modest levels of work intensity. (2) By grade 12 all groups report drastically higher levels of labor force participation and work intensity. Three quarters of white males work at least one week during the school year and nearly 60 percent work half of the school year or more. Among all race/sex groups those who work average between 15 and 20 hours per week throughout the school year. (3) Males report consistently higher employment rates and levels of work intensity than females, and whites report higher levels than do minority group members. Sex differences are more pronounced among minorities than among whites. (4) The minority group advantage in grade 10 hourly wage has been completely reversed by grade 12, with whites earning an average of 15¢ more per hour. (5) All race/sex groups across all years in school report very stable employment experiences, with three-quarters working for only one employer in any given year. (6) The distribution of youth workers in grade 12 across industry and occupation categories shows that trade establishments predominate in employing high school youth. Females are heavily represented in service, clerical and sales occupations, and males in service, laborer and operative categories. (7) Among whites over four-fifths of both males and females have accumulated some labor force experience while in high school. A substantial number have been employed in all three years. Compared to whites, nearly twice as many blacks and Hispanics have accumulated no work experience and half as many have been employed continuously throughout these three years of school.

V. THE CONSEQUENCES OF HIGH SCHOOL EMPLOYMENT

The previous section has revealed that the labor market experiences of youth are both extensive and intensive. The next four sections will attempt to gauge the consequences of this employment for four sets of outcomes. The first section will examine consequences for high school experiences, including class rank and study time. The second will examine the extent to which high school employment is associated with educational advancement, namely dropping out of high school or attending college. The third section examines the issue of whether high school employment eases the transition to post-school employment by decreasing the incidence of unemployment. Finally the quality of post-school employment experiences will be assessed by estimating hourly wage and Duncan SEI equations measured both at the first survey after leaving school and the third survey out. As in previous tables, all results are displayed separately by sex and minority status. In all these equations the primary measures of high school work experience used are 'percent of weeks during the school year worked more than 20 hours per week' and 'percent of weeks worked 1-20 hours per week.' While any of a number of other measures of the intensity of high school work involvement could have been used, these were decided upon because: a) they combine both the extensivity and intensivity dimensions of work experience by using information about both number of weeks worked during the school year and number of hours worked per week, and b) they explicitly allow nonlinearities in the effects of work intensity, by allowing work of less than 20 hours per week to have different effects than more intensive work involvement.

Control variables used in various of these equations include educational expectations (or a variable measuring whether the respondent dropped out of high school, for the non-college goer post-school work experience equations); measures of background characteristics (specifically, whether the respondent lived with both parents at age 14 and the education of the household head); marital status; number of children; and, for minority group equations, 'Hispanic,' a dummy variable coded '1' if the respondent was Hispanic, and '0' if black. For purposes of easy reference, variable labels are presented with variable descriptions, as well as with means for each race/sex group, in Table 1.7. Fuller detail on the measurement of dependent variables will be presented as the regression results are described.

The multivariate methods used in the following sections enable us to identify the relationship between high school employment and the outcome variables net of the possibly confounding role of the control variables. But the analyses still cannot permit us to unambiguously identify the causal

Table 1.7 Variable Descriptions and Means for Variables Used in Regression Analyses, by Sex and Minority Status

		Means			
		Female		Male	
Variable	Variable Description	Minority	White	Minority	White
Key independent variables					
% of weeks worked more than 20 hours/week	Percent of weeks during the high school year R worked more than 20 hours/week	08	.13	.13	.21
% of weeks worked 1-20 hours/week	Percent of weeks during the high school year R worked 1-20 hours/week	.13	.27	.18	.25
Dependent variables					
Rank	R's class rank/class size	.56	.42	.60	.54
Study time	Hours R spent studying, survey week 1981	9.08	8.62	8.81	7.32
Free time at h.s.	Hours R spent at school not studying or attending classes, survey week 1981	4.19	3.78	4.26	5.63
Knowledge of work	R's knowledge of 9 occupation tasks (0 to 9), 1979	4.76	5.94	4.87	6.09
College	Did R attend college? (1=yes; 0=no)	.48	.44	.37	.46
Dropout	Did R drop out of high school? (1=yes; 0=no)	.23	.21	.32	.24
% weeks unemployed in first year out	Weeks unemployed in 52 weeks after leaving high school/weeks in the labor force	.44	.27	.33	.22
Unemployment before first job	Weeks unemployed since leaving high school before R found a job	9.29	4.91	6.63	4.34
Wage, first year out	Hourly wage at first survey after leaving high school, in cents (1982 dollars)	373.6	368.6	436.2	493.5
Wage, third year out	Hourly wage at third survey after leaving high school, in cents (1982 dollars)	446.7	420.2	572.4	591.5
Duncan, first year out	Duncan score of occupation in first survey after leaving high school	32.8	32.6	20.0	21.0
Duncan, third year out	Duncan score of occupation in third survey after leaving high school	33.0	35.2	24.0	23.2
Control variables					
Educational expectations	R's educational expectations, 1979	13.9	13.9	13.7	13.8
Both parents present	R lived with (step) father and (step) mother at age 14 (1=yes; 0=no)	.64	.83	.64	.84
Head's education	Father's education (or mother's education if NA)	9.6	11.6	9.6	12.0

Table 1.7 (Cont.)

		Means			
		Female		Male	
Variable	Variable Description	Minority	White	Minority	White
Control variables cont.					
Marital status	Marital status in year outcome is measured	.11	.14	.06	.07
# of children	Number of children in year outcome is measured	.19	.04	.10	.04
Hispanic	0=black; 1=Hispanic (minority equations)	.41	-	.38	-
N of cases		611	748	597	774

NOTE: Sample sizes and means of all independent variables except marital status and # of children are from the DROPOUT equation using listwise deletion. Means for marital status and # of children are from the 'wage, first year out' equation. Universes, resultant sample sizes, and the year in which independent variables are measured vary with each outcome variable equation and are defined as the multivariate results are presented.

impact of high school employment since unobserved characteristics of those who worked may in fact account for observed differences on outcome variables. For example, if one observes a significant negative coefficient associated with high school employment in the weeks of unemployment equation one could argue either that working while in high school imparts job search skills and information about the labor market which reduces unemployment or that the higher motivations of some students cause them both to work while in high school and to engage in more diligent job search upon leaving school which reduces subsequent unemployment. In the following sections, interpretation of coefficients associated with the high school employment variables will be couched in causal terms, but the existence of unobserved heterogeneity as an alternate explanation for the findings should be borne in mind.

Effects on High School Experiences

Among the most obvious and feared effects of youth employment that might be expected is that work involvement might detract from the amount of time students spend on their homework and might consequently lower the student's academic standing. Given the extent of youth employment, as shown in the preceding section, these effects could be substantial. Similarly, the time spent in employment might restrict the student's participation in extracurricular activities or other free time at school spent interacting with peers. Previous work suggests this may be unfortunate, since extracurricular participation has been shown to promote educational ambition and scholastic achievement (Hanks and Eckland, 1976) and retard delinquency (Landers and Landers, 1978; D'Amico, 1983). On the positive side, however, youth employment may provide the worker with first hand experience in the labor market which should enhance his or her pool of quality information about the world of work and available job opportunities. This information is potentially very valuable in the post-schooling job matching process.

These hypotheses are examined by observing the effects of the work intensity measures, net of appropriate controls, on the following four outcome variables: (1) the respondent's relative class rank, (2) hours spent studying, (3) free time spent at school, and (4) the nine-item knowledge of the world of work scale. The first of these is taken from the transcript survey of NLS respondents, and is measured as of the last year enrolled in high school as the respondent's class rank divided by the class size. Low numbers thus indicate a high class rank and high numbers indicate a standing near the bottom of the class. The second and third items are taken from the time-use survey included in the 1981 questionnaire. As part of the time-use sequence, youth currently enrolled in high school were asked the number of hours they spent studying within the past seven days. Free time at school was estimated as the remainder of the total time in huurs each respondent spent at school in the last seven days minus the time spent during this interval attending classes, studying or attending lectures or labs; it is taken to be an indicator of the degree of participation in extracurricular or other leisure time activities at school. Both of these measures have been shown to have adequate reliability and validity as indicators of usual time expenditures at these activities (Baker, et al., 1983). Finally, knowledge of the world of work was administered in 1979 as a nine item scale querying youth on their knowledge of the job tasks of nine different occupational specialities. The '% weeks worked' independent variables are measured for the school year in which the outcomes variables are measured. Since earlier tables have shown that high school work intensity increases as youth progress through school, a variable measuring the respondent's grade in school at the time the outcomes were measured is included in all equations as a control. However, for the 'rank,' 'study time' and 'free time' equations, nearly all youth were in the twelfth grade.

Results of the analyses are reported in Table 1.8 for white and minority females and in Table 1.9 for males. In general these results do not show grave cause for alarm. Percent of weeks worked 20 or more hours does modestly reduce the amount of time white males spend studying and does limit free time spent at school for both minority females and white males. But these effects are all rather small and do not emerge at all for either white females or minority males. Moreover, work commitment at 1 to 20 hours per week has no such adverse effects for any race/sex group, and even boosts the knowledge of the world of work for females of both race groups. Finally, whatever constraints high school employment poses for studying, no adverse effects of any sort or for any race/sex group appear for either work intensity measure in the class rank equations. In short, the picture presented by these results is that very intensive work involvement may pose some modest time constraints for some race/sex groups but that these do not retard academic standing. Less intensive work involvement shows no adverse consequences of any sort.

Effects on Educational Completion

While high school employment has no apparent negative effects on class rank, it may nonetheless deter youth from their initial educational ambitions. Early forays into the labor market may cause youth to prematurely lose their enthusiasm for schooling or allure them with the prospect of financial independence into abandoning any further educational investments. This section examines these issues by analyzing the effect of the two high school employment measures on the probability of dropping out of high school

Table 1.8 Regression Analysis of Effects of High School Work Experience on Adolescent Experiences for Females, by Minority Status

Independent variables	Minority				Whites			
	Rank	Study time	Free time at h.s.	Knowledge of work	Rank	Study time	Free time at h.s.	Knowledge of work
% weeks worked more than 20 hours/week	-.065 (-.067)	-2.505 (-.085)	-3.299* (-.140)	.510 (.0[illegible]0)	.037 (.042)	-2.281 (-.086)	-1.299 (-.070)	.073 (.010)
% weeks worked 1-20 hours/week	-.073 (-.085)	.801 (.029)	-.312 (-.014)	.696** (.100)	-.055 (-.070)	-2.264 (-.098)	-1.517 (-.094)	.455** (.077)
Educational expectations	-.055** (-.407)	.450 (.107)	.092 (.027)	.141** (.162)	-.050** (-.361)	.332 (.082)	-.183 (-.065)	.219** (.244)
Both parents present	-.093* (-.158)	.620 (.033)	.657 (.044)	.086 (.022)	.004 (.005)	1.305 (.058)	.129 (.008)	-.191 (-.038)
Head's education	-.012* (-.166)	.170 (.073)	.040 (.021)	.100** (.206)	-.000 (-.004)	.074 (.027)	-.032 (-.017)	.047** (.082)
Grade in school	.003 (.006)	2.241* (.136)	.638 (.049)	.263** (.137)	-.059* (-.107)	.892 (.060)	1.610* (.152)	.493** (.259)
Hispanic	.002 (.004)	-.224 (-.012)	.724 (.050)	.388** (.099)	-	-	-	-
Constant	1.51	-25.29	-5.09	-1.33	1.83	-7.26	-11.63	-2.91
R^2	.273	.052	.025	.139	.156	.030	.028	.198
N	215	277	239	853	347	323	285	1055

NOTE: See Table 1.7 for brief variable descriptions and the text for fuller details. Numbers are metric coefficients with standardized values in parentheses. The '% weeks worked' variables are measured for the school year in which the outcomes are measured.

*Significant at the .05 level.
**Significant at the .01 level.

Table 1.9 Regression Analysis of Effects of High School Work Experience on Adolescent Experiences for Males, by Minority Status

Independent variables	Dependent variables							
	Minority				Whites			
	Rank	Study time	Free time at h.s.	Knowledge of work	Rank	Study time	Free time at h.s.	Knowledge of work
% weeks worked more than 20 hours/week	-.032 (-.036)	-2.970 (-.103)	-2.951 (-.133)	-.151 (-.021)	-.042 (-.053)	-3.069* (-.132)	-4.492** (-.194)	-.200 (-.032)
% weeks worked 1-20 hours/week	-.092 (-.094)	-1.306 (-.052)	-1.436 (-.069)	.129 (.018)	-.081 (-.095)	-1.026 (-.044)	-1.908 (-.082)	.003 (.000)
Educational expectations	-.069** (-.436)	.217 (.052)	.129 (.040)	.242** (.277)	-.059** (-.441)	.788** (.220)	-.225 (-.063)	.175** (.202)
Both parents present	.004 (.007)	1.079 (.058)	1.428 (.098)	-.167 (-.042)	-.017 (-.020)	1.448 (.068)	-.693 (-.033)	.108 (.021)
Head's education	.001 (.016)	.012 (.006)	-.044 (-.026)	.044** (.089)	.001 (.000)	-.012 (-.005)	.324* (.132)	.050** (.089)
Grade in school	-.006 (-.011)	.832 (.065)	1.006 (.100)	.205** (.113)	-.012 (-.021)	.375 (.031)	.267 (.020)	.479** (.258)
Hispanic	-.052 (-.087)	-.949 (-.052)	-1.464 (-.103)	.570** (.145)	-	-	-	-
Constant	1.54	-3.42	-8.32	-1.19	1.57	-8.06	3.96	-2.10
R^2	.219	.026	.050	.139	.208	.068	.046	.162
N	199	259	219	837	281	350	312	1105

NOTE: See Table 1.7 for brief variable descriptions and the text for fuller details. Numbers are metric coefficients with standardized values in parentheses. The '% weeks worked' variables are measured for the school year in which the outcomes are measured.

*Significant at the .05 level

**Significant at the .01 level.

and on the probability of attending college. One difficulty with studies of these issues in the past has been the suspicion that the range of control variables used has not effectively controlled for pre-existing educational inclinations. Researchers have consequently been obliged to hedge whenever negative effects of high school employment on subsequent educational progressions have been observed. To mitigate the possibility of spurious effects being observed in this paper, educational expectations, measured in the first survey year, is included in these equations. Only respondents still enrolled in high school at the time the educational expectations item was asked are included in these analyses. The effects of high school work intensity can therefore be interpreted as consequences for subsequent educational progress net of initial educational expectations.

For the dropout equations, the '% weeks worked' variables were measured for most respondents as of grade 11. For those who had missing data on grade 11 employment, employment while in grade 10 was used. As before, a variable measuring from which of the two years the high school work experience is measured is included in all equations. For the college attendance equations, employment while in grade 11 is used for everyone.[6] Since both 'dropout' and 'college attendance' are dichotomous variables, probit analysis was employed.

Table 1.10 reports on these analyses. The results show some conflicting patterns but in general do not suggest that high school employment is an important impediment to educational progression. Indeed, working at modest intensity levels actually appears to foster greater educational perseverance.

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[6] Work intensity was measured as of grade 11 rather than grade 12 to minimize problems of reciprocal causation. For example, seniors who had definitely decided against college or who had been rejected from the colleges of their choice might increase their work intensity in preparation for post-schooling employment.

Table 1.10 Probit Analysis of Effects of High School Work Experience on Educational Attainment, by Sex and Minority Status

Independent variables	Females				Males			
	Minority		White		Minority		White	
	Dropout	College	Dropout	College	Dropout	College	Dropout	College
% weeks worked more than 20 hours/week	-.112	.067	.379	-.502*	.012	-.164	.047	-.349*
% weeks worked 1-20 hours/week	-.606*	.492*	-.481*	.160	-.155	-.052	-.414*	.151
Educational expectations	-.237*	.264*	-.224*	.370*	-.179*	.313*	-.249*	.345*
Both parents present	-.402*	.010	-.417*	.052	-.145	.077	-.426*	.288
Head's education	-.020	.030	-.033	.087*	-.017	.050*	-.038	.092*
Number of children in first survey after high school	.571*	-.633*	1.295*	-1.462*	.375*	-.694*	.046	-1.596*
Age in 1982	-	-.081	-	.137	-	-.035	-	.007
Grade when work experience is measured	-1.504*	-	-1.623*	-	-1.414*	-	-1.625*	-
Hispanic	.373*	-.086	-	-	.115	.185	-	-
Constant	3.94*	-2.37	4.13*	-9.023*	3.35*	-4.61*	4.87*	-6.42*
N	611	545	748	668	597	515	774	690

NOTE: See Table 1.7 for brief variable descriptions and the text for fuller details. Numbers are maximum likelihood estimates.

*Indicates coefficient is at least 1.98 times its standard error.

Specifically, females of both race groups and white males who work from 1-20 hours per week during the school year are less likely to drop out of high school. Working at higher levels of work intensity has no significant effects on the probability of dropping out for any race/sex group. Perhaps the positive effects of high school employment emerge because employed youth have the financial resources to subsidize their educational expenses, or because employment fosters habits of diligence and perseverance, or because employment at what are usually low-paying jobs attunes youth to the need for educational credentials. In any case, concern that employment may impede high school progress appears to be wholly unfounded for each of the four race/sex groups examined here.

Things are more complicated when the probability of college attendance is examined. For both white males and white females grade 11 employment at the higher work intensity levels does significantly decrease the probability of college attendance. Possibly, whites who find remunerative employment while in high school are tempted to defer their college plans at least temporarily to pursue full-time employment. If this is the case, policy implications of these results are not straightforward. Given recent evidence of declining returns to college education (Freeman, 1975), interrupting college plans to take advantage of an attractive employment opportunity may well represent a careful and rational choice. In any event, the effects observed here for both groups are modest in size and in fact just reach the threshold for statistical significance. Moreover, no negative effects of employment at the lower intensity level appear for any race/sex group, and minority females actually appear to be spurred to college attendance the more weeks they worked at 1-20 hours/week.

Effects on the Transition to Employment

Among the advantages of high school employment that could be hypothesized is that such work would ease the transition to post-school employment, at least for those who do not go on to college. By providing advance information about job opportunities, fostering the formation of valuable personal contacts, or actually providing a job opportunity upon school-leaving, high school employment can smooth the turbulence of the post-school job matching process. Moreover, such work experience may increase one's attractiveness to employers by signaling that the job applicant may be industrious, ambitious or already have useful job skills. Two measures of the smoothness of the school-to-work transition examined here are the proportion of weeks unemployed to total time in the labor force for the 52 week interval after school leaving, and total number of weeks unemployed from date last enrolled to the time the respondent's first job began. Both of these variables should provide some indication of the ease with which the erstwhile students handled the difficult immediate post-schooling period. Analyses of both variables are restricted to those sample members who had not attended college, since effects of high school work intensity should be pronounced for this group.[7] Both the high school work intensity variables were measured for the respondent's last year in high school. Also in these equations, whether the respondent dropped out or completed high school replaces educational expectations as a control. This variable also effectively serves to control whether the work intensity variables were measured as of the senior year or earlier.

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[7] To avoid needlessly excluding respondents who may have attended college only very briefly, the universe is actually restricted to those who had not completed grade 13 and who had not attended grade 13 in the academic year leading up to the 1982 survey. Wherever in this chapter the universe is defined as non-college youth, this slightly broader universe restriction is implied.

Table 1.11 reports on these analyses for each of the four race/sex groups. As hypothesized, high school work experience proves to be resoundingly useful in minimizing unemployment. For all race/sex groups both work intensity measures have significant and strong effects in reducing both the proportion of weeks unemployed in the 52 weeks after leaving school and the total weeks unemployed before finding employment. Moreover, comparing standardized coefficients in each case shows that working more than 20 hours per week in school is somewhat more effective in reducing unemployment than is working 1-20 hours per week. Unequivocably high school work experience substantially reduces the turbulence associated with getting established in the labor market.

Part of its effect may well be that high school jobs become post-school starting jobs or at least provide information about related job opportunities. If so, we would observe many respondents working for the same employer or at least working in the same job family in their pre- and post-school leaving employments. Table 1.12 examines these possibilities. The column labelled 'same employer' reports the percent of non-college youth who worked in high school whose employer in their first survey week job after leaving school was the same as an employer for whom they worked at some point during their final school year. The last two columns record the extent to which youths' survey week jobs in their last year in high school are in the same 1-digit occupation or industry categories as their first survey week job after leaving school. Although job mobility data aggregated at so high a level obscures much, the results shown here are suggestive. Results show that between one-fifth and one-quarter of non-college youth who worked during their last year in high school work for their same employer upon leaving school; about 50 percent work in the same 1-digit industry and 40 percent of whites

Table 1.11 Regression Analysis of Effects of High School Work Experience on the Transition to Work of Non-College Youth, by Sex and Minority Status

	Females				Males			
	Minority		White		Minority		White	
	% wks. unemployed in first year out	Unemployment before first job	% wks. unemployed in first year out	Unemployment before first job	% wks. unemployed in first year out	Unemployment before first job	% wks. unemployed in first year out	Unemployment before first job
% weeks worked more 20 hrs/wk	-.384** (-.290)	-12.42** (-.230)	-.223** (-.251)	-6.458** (-.199)	-.282** (-.289)	-7.575** (-.190)	-.196** (-.247)	-6.342** (-.214)
% weeks worked 1-20 hrs/wk	-.240** (-.166)	-10.52** (-.184)	-.189** (-.183)	-5.962** (-.165)	-.154** (-.130)	-5.839** (-.121)	-.102** (-.099)	-4.947** (-.135)
Dropout	.159** (.173)	2.192 (.052)	.143** (.182)	1.911 (.064)	.185** (.280)	6.033** (.203)	.172** (.263)	4.333** (.172)
Both parents present	-.039 (-.044)	.177 (.006)	-.071* (-.081)	-1.253 (-.040)	.059* (.081)	1.319 (.044)	-.057 (-.070)	.1.917 (.062)
Head's education	-.002 (-.022)	-.106 (-.022)	-.008 (-.066)	-.297* (-.070)	.006 (.064)	-.017 (-.004)	-.006 (-.055)	-.169 (-.044)
Marital status	.045 (.040)	.754 (.015)	.040 (.060)	.162 (.006)	-.094 (-.056)	.705 (.010)	-.037 (-.026)	.540 (.011)
Number of children	.020 (.026)	.344 (.009)	.063 (.073)	1.344 (.041)	-.003 (-.003)	-1.334 (-.033)	-.056 (-.036)	4.60 (.008)
Hispanic	-.233** (-.271)	-7.824** (-.216)	-	-	-.089** (-.122)	-3.262** (-.110)	-	-
Constant	.619	17.09	454	11.65	.290	7.945	.352	6.24
R^2	.227	.131	.180	.078	.194	.105	.190	.104
N	424	478	617	761	903	608	655	823

NOTE: See Table 1.7 for brief variable descriptions. Numbers are metric coefficients with standardized values in parentheses. The '% weeks worked' variables are measured for the respondent's last year in high school.

*Significant at the .05 level.
**Significant at the .01 level.

Table 1.12 Percent Who did Not Attend College and Who Worked in High School Whose First Survey Week Job After High School is with the Same Employer, or in the Same One-Digit Occupation or Industry as Their Last School Year Job, by Sex and Minority Status

Universe	N	Same Employer	Same 1-digit	
			Occupation	Industry
Minority females	284	20.1	60.3	55.0
White females	459	23.5	50.9	45.4
Minority males	408	27.5	41.1	49.2
White males	518	28.2	39.6	51.2

UNIVERSE: Those who did not complete grade 13 and who were not enrolled in grade 13 during the academic year leading up to the 1982 survey.

and over half of the minority group work in the same 1-digit occupation. These findings can be looked at in two ways. On the one hand a substantial number of youth, possibly as many as half, by all appearances find employment upon leaving school with the same employer or in occupations or industries in the same job family as their high school employment. For many of these young workers, then, high school jobs serve as steppingstones for employment subsequent to leaving school. This seems especially true for minority females who may recognize few alternate post-schooling employment options. Cast in this light the low subsequent unemployment experienced by high school workers seems very understandable.

At the same time roughly as many young workers find post-schooling employment not in the same broad 1-digit occupational or industry category as their most recent previous employment experience. For these youth it seems doubtful that their school year employment provided any relevant job skills other than perhaps instilling very general desirable work habits, such as diligence or responsibility.

Effects on Subsequent Labor Market Success

Though school year employment apparently does reduce unemployment associated with the school to work transition, it remains to be seen how enduring these effects are. In this section the effects of school year work experience on the quality of jobs held one survey year and three survey years after leaving school are examined. The measures of post-school job quality used are Duncan SEI score of occupation held and hourly wage adjusted to 1982 dollars (see footnote 4).[8] School-year employment is measured for the respondent's last year in high school; once again the universe is restricted to non-college youth only.

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[8] The Duncan Socioeconomic Index is a widely used measure of occupational attainment and is computed as a weighted combination of the educational

Results of these analyses are presented in Tables 1.13 and 1.14 for females and males, respectively. Examining equations with outcome variables measured one survey after school leaving, note that positive and significant effects of high school work experience on Duncan SEI appear for all race/sex groups except minority males. However, only for white males are these effects as strong regardless of the level of intensity of the school year employment; for white and minority females, only work at greater than 20 hours per week seems to matter. High school employment at the higher intensity level is also significant in the "hourly wage, first year out" equations, though only for the two female race groups. Apparently, intensive work involvement while in high school does generally lead to more favorable employment opportunities in the immediate post-school period.

The effects on Duncan SEI score are, however, short-lived. Three survey years after leaving school all effects of school year employment on Duncan score have disappeared for all race/sex groups. At the same time, for minority group males and females and for white males, high school employment at the higher intensity level has important and strong effects on third year hourly wage. This finding is particularly intriguing for minority males, since for this group no effects whatever appeared on the first survey job after leaving school. In any case, these results are consistent with the recent observation of Becker and Hills (1983) that teenage labor market experience is especially beneficial for the longer-term labor market success particularly of black workers. It appears, then, that high school work

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attainment and earnings of incumbents of Census 3-digit occupations (Duncan, 1961). Its correlation with the prestige score of the 45 occupations for which both measures are available exceeds .90.

Table 1.13 Regression Analysis of Effects of High School Work Experience on Post-School Employment Success of Non-College Females, by Minority Status

	Dependent variables							
	Minority				White			
	Duncan first year	Wage first year	Duncan third year	Wage third year	Duncan first year	Wage first year	Duncan third year	Wage third year
% weeks worked more than 20 hours/week	6.084* (.129)	79.20** (.237)	5.988 (.116)	113.5* (.209)	5.391* (.111)	81.71** (.216)	-.827 (-.019)	23.57 (.073)
% weeks worked 1-20 hours/week	5.564 (.095)	27.44 (.068)	.033 (.001)	-4.515 (-.007)	4.184 (.076)	30.27 (.070)	.493 (.009)	26.96 (.065)
Dropout	-9.031** (-.191)	6.435 (.019)	-14.12** (-.263)	-96.45 (-.171)	-6.632** (-.124)	-47.78* (-.111)	-5.573 (-.102)	-45.63 (-.114)
Both parents present	-.494 (-.013)	-10.99 (-.040)	1.368 (.034)	-25.66 (-.061)	5.487* (.099)	27.93 (.064)	8.711** (.186)	25.53 (.074)
Head's education	.258 (.055)	.837 (.025)	.527 (.109)	7.614 (.148)	.478 (.070)	3.517 (.066)	.241 (.041)	5.514 (.125)
Marital status	-1.278 (-.022)	-34.53 (-.083)	-1.948 (.049)	-15.09 (-.036)	-.317 (-.006)	2.022 (.005)	4.094 (.112)	22.30 (.083)
Number of children	-2.926 (-.073)	-13.73 (-.047)	-5.234* (-.199)	8.531 (.034)	-3.483 (-.042)	-72.46* (-.100)	-2.694 (-.070)	-51.64** (-.182)
Weeks since date last enrolled	.113 (.074)	.124 (.011)	-.002 (-.004)	.184 (.030)	-.026 (-.016)	1.997** (.155)	-.061 (-.104)	-.034 (-.008)
Hispanic	7.974** (.218)	39.28* (.152)	8.619* (.232)	124.4** (.315)	-	-	-	-
Constant	22.37	328.7	26.60	307.6	20.04	205.85	33.31	340.5
R^2	.112	.084	.164	.140	.063	.104	.084	.096
N	236	232	125	123	482	465	239	234

NOTE: Numbers are metric coefficients with standardized values in parentheses. See Table 1.7 for brief variable descriptions. The '% weeks worked' variables are measured for the respondent's last year in high school.

*Significant at the .05 level.

Table 1.14 Regression Analysis of Effects of High School Work Experience on Post-School Employment Success of Non-College Males, by Minority Status

	Dependent variables							
	Minority				White			
	Duncan first year	Wage first year	Duncan third year	Wage third year	Duncan first year	Wage first year	Duncan third year	Wage third year
% weeks worked more than 20 hours/week	3.730 (.107)	25.91 (.051)	-.206 (-.005)	196.87* (.194)	4.248** (.126)	20.71 (.031)	-.054 (-.002)	104.64* (.142)
% weeks worked 1-20 hours/week	-1.078 (-.025)	8.323 (.014)	-.421 (-.008)	-47.39 (-.038)	5.636** (.129)	-9.521 (-.011)	-.328 (-.007)	37.90 (.039)
Dropout	-3.350* (-.122)	-53.03* (-.131)	1.403 (.039)	32.90 (.035)	-3.244* (-.108)	-89.63** (-.150)	-4.860* (-.135)	-27.56 (-.036)
Both parents present	.498 (.018)	53.25* (.133)	3.527 (.105)	103.97 (.121)	1.128 (.031)	-.143 (-.000)	-.456 (-.010)	101.80 (.113)
Head's education	-.012 (-.004)	4.369 (.085)	.187 (.045)	-6.777 (-.065)	.252 (.054)	-.816 (-.009)	.386 (.080)	11.98* (.116)
Marital status	-2.864 (-.049)	64.87 (.079)	.638 (.014)	-39.96 (-.036)	1.036 (.020)	90.02 (.088)	2.287 (.068)	58.14 (.085)
Number of children	-1.416 (-.037)	104.99** (.184)	.395 (.042)	30.88 (.052)	-2.093 (-.033)	221.17** (.175)	-1.180 (-.040)	25.72 (.043)
Weeks since date last enrolled	.019 (.018)	1.476 (.097)	-.021 (-.037)	1.129 (.083)	.027 (.023)	.203 (.009)	-.060 (-.107)	1.590* (.140)
Hispanic	1.365 (.051)	55.59** (.143)	2.971 (.095)	35.92 (.046)	-	-	-	-
Constant	19.07	275.27	20.66	334.0	14.56	497.54	28.15	98.85
R^2	.035	.116	.029	.078	.052	.073	.050	.085
N	363	360	160	155	537	533	275	270

NOTE: Numbers are metric coefficients with standardized values in parentheses. See Table 1.7 for brief variable descriptions. The '% weeks worked' variables are measured for the respondent's last year in high school.

*Significant at the .05 level.

experience may help the immediate post-school occupational placement but that these effects lose relevance as youth accumulate additional labor market experience by which they may be judged. For hourly wages, however, the effects of school year employment at least at more than 20 hours per week are more enduring.

A further look at the mechanisms by which school employment impacts on post-school labor market success is presented in Table 1.15 for females and Table 1.16 for males, which show effects on the Duncan score and hourly wage of post-school jobs held of the Duncan score and hourly wage of school year jobs, respectively. The universe is further restricted here to those non-college youth who had some work experience in their last year of high school, since the question is whether high school work intensity or the character of school year jobs matters most for subsequent labor market success. The small sample sizes resulting from these universe restrictions and the possibility of biased coefficients resulting from the lagged dependent variables means these results should be considered exploratory only. Nonetheless, these findings are suggestive. Results show that the two work intensity variables have no effects on either of the first year out outcomes for any of the four cohorts. By contrast, the Duncan score and/or hourly wage of school year jobs have effects on year one employment success for all race/sex groups. This pattern suggests that perhaps not work intensity per se but the quality or character of high school jobs held matters most for immediate post-schooling labor market success. Put another way, school year employment does not impart general work habits that are subsequently rewarded by employers. If this were the case, the intensity of school year employment might be expected to matter more for the quality of immediate post-school jobs held than would the specific characteristics of the school year jobs. Rather, it appears that in

Table 1.15 Regression Analysis of Effects of Characteristics of High School Jobs on Post-School Work Experience of Non-College Females with Some High School Work Experience, by Minority Status

	Dependent variables							
	Minority				White			
	Duncan first year	Wage first year	Duncan third year	Wage third year	Duncan first year	Wage first year	Duncan third year	Wage third year
% weeks worked more than 20 hours/week	-1.718 (-.040)	23.93 (.073)	39.80** (.848)	255.06* (.645)	-2.780 (-.058)	42.77 (.134)	-14.73 (-.326)	22.53 (.064)
% weeks worked 1-20 hours/week	.173 (.004)	51.84 (.149)	29.04* (.594)	138.00 (.335)	-.048 (-.001)	-.471 (-.001)	-6.195 (-.122)	56.44 (.140)
Dropout	-10.17 (-.203)	-6.099 (-.014)	-43.91* (-.553)	-109.36 (-.164)	-4.994 (-.081)	-49.01 (-.121)	-4.185 (-.073)	50.88 (.119)
Both parents present	.211 (.006)	-43.97 (-.147)	4.055 (.103)	55.40 (.161)	3.696 (.067)	40.35 (.111)	13.11* (.311)	42.76 (.135)
Head's education	-.331 (-.071)	-6.473 (-.177)	-.200 (-.034)	8.948 (.176)	.082 (.012)	-.302 (-.006)	-.240 (-.044)	12.87 (.259)
Marital status	-2.702 (-.052)	-23.51 (-.059)	11.93 (.294)	11.54 (.034)	3.881 (.067)	-4.657 (-.012)	6.932 (.191)	-13.41 (-.047)
Number of children	.622 (.015)	-36.12 (-.112)	1.503 (.052)	14.76 (.060)	5.299 (.061)	-42.77 (-.071)	2.952 (.067)	-123.48* (-.360)
Weeks since date last enrolled	.062 (.046)	-.060 (-.006)	.077 (.143)	.552 (.115)	.022 (.014)	2.546** (.255)	-.065 (-.113)	.786 (.181)
Hispanic	2.671 (.077)	24.02 (.088)	10.55 (.288)	201.87** (.639)	-	-	-	-
Duncan, last job in school	.375** (.378)	-	.127 (.120)	-	.456** (.437)	-	-.005 (-.005)	-
Wage, last job in school	-	.419** (.443)	-	-.071 (-.071)	-	.096 (.105)	-	.281 (.244)

Table 1.15 (continued)

	Dependent variables							
	Minority				White			
	Duncan first year	Wage first year	Duncan third year	Wage third year	Duncan first year	Wage first year	Duncan third year	Wage third year
Constant	26.00	316.93	-12.91	27.31	16.41	216.02	42.30	63.62
R^2	.241	.196	.377	.480	.209	.129	.169	.257
N	92	89	36	34	231	214	68	61

NOTE: Numbers are metric coefficients with standardized values in parentheses. See Table 1.7 for brief variable descriptions. The '% weeks worked' variables are measured as of the respondent's last year in high school.

*Significant at the .05 level.
**Significant at the .01 level.

Table 1.16 Regression Analysis of Effects of Characteristics of High School Jobs on Post-School Work Experience of Non-College Males with Some High School Work Experience, by Minority Status

	Dependent variables							
	Minority				White			
	Duncan first year	Wage first year	Duncan third year	Wage third year	Duncan first year	Wage first year	Duncan third year	Wage third year
% weeks worked more than 20 hours/week	.808 (.022)	-40.67 (-.074)	-9.360 (-.214)	256.76 (.160)	5.289 (.135)	52.52 (.076)	-4.080 (-.100)	-125.20 (-.135)
% weeks worked 1-20 hours/week	-3.739 (-.091)	-12.80 (-.022)	-3.909 (-.081)	16.81 (.009)	7.269 (.170)	51.34 (.068)	-1.664 (-.035)	-187.73 (-.167)
Dropout	-3.836 (-.125)	-44.64 (-.097	7.850 (.231)	342.93 (.269)	1.151 (.032)	-66.71 (-.101)	-1.064 (-.028)	-25.15 (-.027)
Both parents present	4.502 (.143)	66.98 (.148)	11.13 (.237)	648.56 (.369)	.806 (.019)	28.46 (.039)	-5.867 (-.107)	182.84 (.120)
Head's education	.045 (.013)	4.687 (.088)	-.096 (-.024)	-3.752 (-.026)	.282 (.052)	-4.416 (-.048)	.879 (.158)	23.78 (.163)
Marital status	-1.975 (-.039)	49.71 (.069)	-.205 (-.005)	-91.73 (-.066)	1.849 (.033)	240.13** (.244)	5.967 (.177)	186.65 (.247)
Number of children	-2.850 (-.071)	85.98 (.146)	3.414 (.107)	-102.34 (-.089)	-2.210 (-.028)	75.46 (.052)	-6.112 (-.211)	-42.63 (-.068)
Weeks since date last enrolled	.138 (.121)	.813 (.048)	-.006 (-.010)	-.973 (-.047)	.024 (.019)	-1.290 (-.056)	.014 (.026)	1.066 (.092)
Hispanic	-1.106 (-.038)	32.06 (.075)	-1.248 (-.039)	-250.41 (-.211)	-	-	-	-
Duncan, last job in school	.252** (.235)	-	.602* (.367)	-	.453** (.382)	-	.164 (.124)	-
Wage, last job in school	-	.342** (.242)	-	1.087 (.269)	-	.427** (.300)	-	.388 (.209)

Table 1.16 (continued)

	Dependent variables							
	Minority				White			
	Duncan first year	Wage first year	Duncan third year	Wage third year	Duncan first year	Wage first year	Duncan third year	Wage third year
Constant	10.00	227.10	9.96	-203.37	4.04	361.15	15.85	-24.19
R^2	.126	.151	.253	.227	.181	.196	.100	.147
N	139	143	44	39	248	241	90	77

NOTE: Numbers are metric coefficients with standardized values in parentheses. See Table 1.7 for brief variable descriptions. The '% weeks worked' variables are measured as of the respondent's last year in high school.

*Significant at the .05 level.
**Significant at the .01 level.

the short-run school year employment helps youth forge job contacts or acquire work skills or habits that are valuable in direct proportion to the quality of school year jobs held.

Matters are less clearcut when year three outcomes are examined. Due to extremely small sample sizes for these outcomes, inferences from these results are very hazardous. Nonetheless, the very consistent pattern of effects of Duncan SEI and hourly wage of school jobs on year one outcomes breaks down completely when year three outcomes are examined. This suggests that the quality of school year jobs held matters little over the longer term, as youth put the school-to-work transition behind them and become more firmly established in the labor market. Given the simultaneous lack of consistent effects of either of the work intensity variables, one is tempted to conclude that the modest effects on year three outcomes uncovered when the whole sample was examined (Tables 1.13 and 1.14) were primarily driven by the advantages of having had some high school work experience relative to having had none at all.

VI. SUMMARY AND CONCLUSIONS

The first section of this paper documented the rather extensive work involvement of high school youth. The second section then attempted to evaluate the consequences of this employment for subsequent educational and labor market outcomes.

Educational Outcomes

Results showed generally only neutral or benign effects of high school employment on educational outcomes. Such work did cut into the study time of white males and the leisure time at school of white males and minority females. But these effects appeared only for the higher level of work intensity and were generally fairly modest in size. Moreover, whatever social integration occurs from leisure time school involvement can perhaps occur for employed students at their work setting. In any event, neither decreased study time nor the diffused involvement and motivation of employed students has any deleterious consequences for academic standing; neither work intensity measure has any significant effect on relative class rank for any race/sex group. Nor does work in high school retard the high school educational progress of any race/sex group, net of initial educational expectations and other appropriate controls. Indeed, high school employment is actually associated with increased probability of completing high school for all four groups. Whites who work at the higher intensity level while in high school do seem less likely to attend college, but the implications of this finding from a policy standpoint are not clearcut.

Labor Market Outcomes: Effects for Non-College Goers

There can be no doubt of the striking effects of high school employment in easing the school-to-work transition. The more weeks worked while in the last year of high school, and the more hours worked per week, the fewer weeks of unemployment experienced in the first year after leaving school, and the fewer weeks of unemployment experienced before finding a post-high school job. The coefficients representing these effects are large and significant for all race/sex groups. Part of the reason for this reduced unemployment may be that youth acquire valuable work skills or become aware of job opportunities in their high school employment stints. This is suggested by the considerable number of working students who find post-school jobs with the same employer or in the same 1-digit occupation or industry category as their school year job.

Working students also generally appear to find more remunerative and/or higher prestige jobs upon completing school. Specifically, work intensity is associated with higher Duncan SEI scores for white males and higher Duncan scores and higher hourly wage rates for minority and white females in the first survey after leaving school. Moreover, these effects are in evidence even several years after leaving school; in the third survey after leaving school, work involvement is associated with higher wges for minority groups of both sexes as well as for white males.

Restricting the analysis to working students permits a closer look at the way these effects are exerted. Specifically, when Duncan score and hourly wage of high school jobs are included as regressors in equations for, respectively, Duncan score and hourly wage of the job held in the first survey after leaving school, effects of the work intensity measures lose significance. This finding suggests that at least in the short run the quality of high school jobs, rather than work intensity per se, matters most for immediate post-school labor market success.

Implications

Whenever so many outcomes are examined in a single chapter, the treatment of any single issue must necessarily be cursory. This means that complications in analysis and complexities of the processes examined, which presented themselves throughout this paper, were inevitably given short schift. This paper aimed at breadth rather than depth of presentation. The objective was to present an overview and raise a series of issues which, despite their importance, have heretofore been rather neglected in the literature. As such, our conclusions should of necessity be general rather than specific.

Taken as a whole, then, the results of these analyses suggest the very valuable role that high school employment can play. While this paper has not attempted to isolate the mechanisms by which high school employment exerts its impact, working while in high school seems nonetheless to carry a substantial advantage in improving the school-to-work transition. Of equal importance, it does so virtually without interfering in either academic achievement or educational progress.

These results suggest that the practical experiences students gain in work settings may be of substantial value. Policies aimed at improving the post-school labor market experiences of disadvantaged youth might reflect this fact. Cooperative vocational education or work-study programs may make a substantial contribution, for example. Similarly, vocational counselors might spend greater efforts at placing or counseling students in their choice of school year work activities. These efforts are not advocated as substitutes for improving the academic standards especially of minority American education. Rather, improved scholastic credentials jointly with well placed and timely work experience can be valuable aids in improving the post-school experiences of American youth.

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PATHWAYS TO THE FUTURE, VOL. II

A Final Report on the National Longitudinal Survey of Youth Labor Market Experience in 1980

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February 1982

This paper was prepared under a contract with the Employment and Training Administration, U.S. Department of Labor, under the authority of the Comprehensive Employment and Training Act. Researchers undertaking such projects under Government sponsorship are encouraged to express their own judgments. Interpretations or viewpoints contained in this document do not necessarily represent the official position or policy of the Department of Labor.

CHAPTER 4

CHOICES IN EDUCATION

by Michael E. Borus and Susan A. Carpenter

High school students make a variety of important decisions as they progress through the educational system. Among these decisions are: 1) to drop out of school before completing the twelfth grade, 2) to reenter and try to complete if they have dropped out, and 3) to go directly from the twelfth grade on to college. This paper will examine all three decisions. The first and last have been treated extensively in the literature; the second has received relatively little attention. This study is unique in several respects: first, drawing on the 1979 and 1980 interviews of the National Longitudinal Survey Youth Cohort, it permits identification of attitudes measured prior to the decision in order to predict subsequent behavior. Second, information gathered from the schools attended by the youth allows the combination of school environment variables with the individual characteristics of students, whereas most previous examinations of dropping out and going on to college have had only one or the other of these sets of variables. Third, school, background and attitudinal variables not previously available to researchers are contained in this data set, and, finally, these data are also quite recent, which is important because aggregate statistics indicate an increase in dropout rates nationwide and increasing college enrollment by women and minorities.

I. DROPPING OUT[1]

Between the Spring of 1979 and the Spring of 1980, approximately 820,000 youth born between 1957 to 1964 left school without completing the 12th grade.[2] They represent 5.1 percent of all young people in this age group who were enrolled below the college level. The first column of Table 4.1 indicates the dropout rates during this year's period[3] for various groups of the 16,230,000 young people enrolled in Spring 1979.

A number of factors have been found to be related to dropping out of school.[4] Minorities and males have higher dropout rates in the aggregate

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[1] By examining the dropout rate for this period we depart from other studies which compare dropouts with high school graduates or enrollees at a point in time. Our procedure has two advantages. First, it allows us to exploit the longitudinal nature of the data. A major problem with single observation studies is that they measure variables after the dropout has occurred with the result that their measurements may be biased due to inaccurate recall in the case of attitudinal variables, variables for substantially earlier periods, and variables involving details tied closely to specific dates (e.g., employment status in a specific week prior to the dropping out). A second problem is timing of the dropout. If a post-school age group, e.g., 20-21 year olds, is used the analysis cannot differentiate persons who dropped out and then returned to school from those who went straight through to graduation. Our method, however, allows us to identify the drop out occurring in a given year and also allows analysis of the returnees.

[2] This number compares to 885,000 14-24 year olds reported by the U.S. Bureau of the Census (1981) to have been enrolled in October 1978 and not enrolled in 1979 without completing the twelfth grade. Since the NLS sample was composed of persons who were at least 15, most of the slight difference can be explained by the omission of the 14 year olds.

[3] Approximately one year passed since the vast majority of respondents were reinterviewed 11-13 months after their initial interview.

[4] In the following review of variables not all studies are cited which found a significant relationship between dropping out and the variable. Only a few are cited for each variable. The studies which have the most complete lists of variables are Bachman, Green and Wirtanen (1971), McNally (1977), and Rumberger (1981).

Table 4.1 Factors Influencing Dropping Out of School Before Completing 12th Grade During 1979-80

Characteristic	Mean Dropout Rate	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
Age		0.014	4.63**	0.013	4.47**	0.127	4.75**	0.009
Race								
Black	5.9	-0.055	-4.03**	-0.052	-5.73**	-0.357	-4.20**	-0.025
Hispanic	9.0	-0.006	-0.41	-0.014	-1.40	-0.095	-1.10	-0.007
White	4.6	--	--	--	--	--	--	--
Sex								
Female	4.9	--	--					
Male	5.3	0.013	1.60					
Number of Siblings		0.001	0.36					
Had Child Between Interviews								
Yes	28.0	0.206	8.54**	0.206	8.59**	0.842	5.87**	0.060
No	4.9	--	--	--	--	--	--	--
Father's Education								
0-11 years	9.4	0.024	2.26*	0.024	2.37*	0.389	3.21**	0.028
12 years	3.3	-0.004	-0.40	-0.004	-0.45	0.132	1.04	0.009
More than 12 years	1.4	--	--	--	--	--	--	--
Education not available	10.8	0.019	1.12	0.019	1.13	0.428	2.67**	0.030
Poverty Status of Family in 1978								
Above poverty	4.3	--	--	--	--	--	--	--
Below poverty	10.5	0.023	2.41*	0.025	2.71**	0.026	2.71**	0.015
Poverty not available	4.9	0.009	0.95	0.011	1.16	0.199	1.37	0.008
Mother in Home at Age 14								
Yes	4.7	--	--	--	--	--	--	--
No	14.8	0.045	2.78**	0.049	3.09**	0.333	2.84**	0.024
Father in Home at Age 14								
Yes	4.3	--	--	--	--	--	--	--
No	9.2	0.019	2.17*	0.020	2.36*	0.134	1.82+	0.010

Characteristic	Mean Dropout Rate	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivati Evaluate at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
Mother Born Outside the United States								
Yes	6.4	-0.022	-1.37					
No	5.0	--	--					
Father Born Outside the United States								
Yes	7.3	0.003	0.16					
No	5.0	--	--					
Index of Reading Materials in the Home at Age 14		-0.005	-1.33					
Religion								
Catholic	4.5	-0.001	-0.06					
Jewish	2.5	-0.013	-0.33					
Other	5.5	--	--					
Frequency of Religious Attendance		-0.0004	-3.56**	-0.0004	-3.66**	-0.004	-4.05**	-0.0003
Move During 1978								
Yes	12.3	0.024	1.56					
No	4.8	--	--					
Knowledge of the World of Work Score		-0.005	-2.83**	-0.006	-3.13**	-0.052	-2.99**	-0.004
Rotter Score		0.001	0.63					
Intend to Work at Age 25								
Yes	4.3	-0.032	-3.08**	-0.030	-2.88**	-0.238	-2.74**	-0.017
No	3.6	--	--	--	--	--	--	--
Not Available	11.3	0.003	0.19	0.006	0.28	-0.023	-0.18	-0.002
Intend to Join Military								
Yes	10.5	0.037	2.67**	0.039	2.85**	0.244	2.33*	0.017
No	4.9	--	--	--	--	--	--	--

Table 4.1 continued

Characteristic	Mean Dropout Rate	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
Intend to Marry Within 5 Years - Female								
Yes	8.2	0.024	2.34*	0.017	2.01*	0.178	2.21*	0.013
No	3.0	--	--	--	--	--	--	--
Intend to Marry Within 5 Years - Male								
Yes	7.8	0.018	1.63	0.025	2.39*	0.219	2.59**	0.016
No	6.0	--	--	--	--	--	--	--
Region								
Northeast	3.8	-0.016	-1.28					
North Central	3.8	-0.015	-1.49					
South	6.5	--	--					
West	6.7	-0.004	-0.33					
Residence in an SMSA								
Yes	5.2	0.016	-1.52					
No	4.8	--	--					
Residence								
Rural	5.5	0.013	1.13					
Urban	5.0	--	--					
Local Unemployment								
Less than 3 percent	4.0	--	--					
3-6 percent	5.1	0.035	1.35					
6-9 percent	5.4	0.031	1.18					
9-12 percent	3.0	0.030	0.97					
12 percent or more	3.8	0.002	0.05					
Employment Status at 1979 Interview								
Employed	4.4	-0.002	-0.24	-0.002	-0.29	0.015	0.20	0.001
Unemployed	9.1	0.035	3.75**	0.035	3.78**	0.263	3.33**	0.019
Out of labor force	4.5	--	--	--	--	--	--	--

Characteristic	Mean Dropout Rate	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
Expects to Attend College								
Yes	1.7	-0.044	-5.53**	-0.046	-5.97**	-0.476	-6.32**	-0.034
No	9.4	--	--	--	--	--	--	--
High School Curriculum								
General	6.5	--	--	--	--	--	--	--
College preparatory	1.2	-0.016	-1.88+	-0.015	-1.83+	-0.350	-3.52**	-0.025
Vocational	5.5	-0.014	-1.37	-0.014	-1.37	-0.115	-1.31	-0.008
Curriculum not available	19.4	0.085	4.83**	0.087	4.93**	0.376	3.22**	0.027
School Satisfaction								
Satisfied	4.4	-0.043	-4.27**	-0.044	-4.43**	-0.341	-4.44**	-0.024
Unsatisfied	9.8	--	--	--	--	--	--	-
Two or More Years Behind Modal Grade								
Yes	16.8	0.065	5.79**	0.067	5.96**	0.295	3.66**	0.021
No	4.0	--	--	--	--	--	--	--
Remedial Education Received								
Yes	7.7	-0.009	-0.85					
No	3.9	--	--					
Information not available	6.2	0.003	0.30					
Student-Teacher Ratio								
Less than 15	2.7	--	--	--	--	--	--	--
15	3.5	0.015	0.66	--	--	--	--	--
16	4.4	0.029	1.34	0.027	1.36	0.311	1.55	0.022
17	3.2	-0.0004	-0.02	-0.003	-0.19	-0.054	-0.26	-0.004
18	3.3	0.020	1.07	0.020	1.23	0.226	1.34	0.016
19	5.8	0.022	1.20	0.023	1.43	0.345	2.17*	0.024
20	6.3	0.040	1.97*	0.040	2.32*	0.407	2.37*	0.029
21	4.3	0.027	1.45	0.026	1.68+	0.309	1.94+	0.022
22	8.2	0.058	2.73**	0.062	3.38**	0.590	3.44**	0.042
23	6.3	0.041	1.87+	0.044	2.29*	0.449	2.39*	0.032
24 or more	7.7	0.045	2.31*	0.052	3.23**	0.487	3.13**	0.035
Not available	5.4	0.0003	0.01	0.034	2.73**	0.360	2.75**	0.026

Characteristic	Mean Dropout Rate	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
School Size								
1-999 students	5.3	-0.004	-0.28					
1000-1749 students	4.6	-0.004	-0.37					
1750 or more students	5.1	--	--					
Not available	5.4	0.010	0.40					
Percent of Local Government Funds Spent on Education								
1-40 percent	6.6	--	--	--	--	--	--	--
40-45 percent	4.6	-0.012	-1.04	-0.009	-0.78	-0.097	-0.96	-0.007
45-50 percent	5.0	-0.015	-1.15	-0.015	-1.15	-0.142	-1.23	-0.010
50-55 percent	5.4	-0.001	-0.10	0.004	0.35	0.010	0.10	0.001
55-60 percent	4.4	-0.030	-2.35*	-0.024	-2.02*	-0.225	-2.01*	-0.016
More than 60 percent	4.6	-0.034	-2.50*	-0.026	-2.24*	-0.246	-2.26*	-0.017
Not available	6.4	0.008	0.38	-0.0004	-0.02	0.013	0.08	0.001
Minority Status of Respondent and Percentage of Minority Students in School								
Minority respondent, school less than 10% minorities	6.7	--	--					
Minority respondent, school 10-50% minorities	4.4	-0.028	-0.94					
Minority respondent, school more than 50% minorities	6.4	-0.020	-0.69					
White resopndent, school less than 10% minorities	3.2	-0.018	-0.60					
White respondent, school 10-50% minorities	5.9	-0.004	-0.14					
White respondent, school more than 50% minorities	6.7	-0.035	-0.86					
Not available	6.4	0.003	0.009					

Table 4.1 Continued

Characteristic	Mean Dropout Rate	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
Type of School								
Public	5.4	--	--					
Private	1.6	0.020	1.23					
Constant		-0.111	-1.52	-0.078	-1.49	-3.371	-6.96**	-0.239
Mean	5.1							
$\bar{R}^2$		11.2		11.2				
2 times log likelihood ratio						571.70		
N	5165		5165		5165			

UNIVERSE: Respondants age 14-21 on January 1, 1979 who were enrolled in primary or secondary school at survey date 1979 or May 1, 1979, whichever was earlier.

[a] The values entering the intercept were being white, female, not having a child between interviews, father's education more than 12 years, family income in 1978 above the poverty level, having mother and father in home at age 14, mother and father born inside the U.S., not Catholic or Jewish, not having moved in 1978, not intending to work at age 35, not intending to join the military, not intending to marry within five years, lived in the South, living outside of an SMSA, living in a county more than 50 percent urban, local unemployment rate less than three percent, out of the labor force at 1979 survey date, not expecting to attend college, enrolled in a general high school curriculum, being dissatisfied with school, not two or more years behind modal grade level, did not receive remedial education, attending a school with a student-teacher ratio of less than 15, attending a school with at least 1,750 students, living in a county where less than 40 percent of local government funds are spent on education, a minority attending a school with less than 10 percent minority enrollment, and attending a public school.

[b] The values entering the intercept were being white, not having a child between interviews, father's educational attainment more than 12 years, family income in 1978 above poverty level, mother and father in home at age 14, not intending to work at age 35, not intending to join the military, not intending to marry within five years, being out of the labor market at the time of the 1979 interview, not expecting to attend college, enrolled in general high school curriculum in 1979, dissatisfied with school, not being two or more years behind grade level, being enrolled in a school with a student/teacher ratio of less than 16, and living in a county where less than 40 percent of local government funds ar spent on education.

+Significant at P = .10
*Significant at P = .05
**Significant at P = .01

data.[5] Other characteristics found to be associated with increased dropping out are: increased age (Watson (1976)), lower socioeconomic status [illegible] measured by parental education (Masters (1969), Rumberger (1981), [illegible] (1976)) and a measure of reading material in the home (McNally ([illegible]), Rumberger (1981)); living in the South (Nam, Rhodes and Herriott (1968)); living in a rural area (Conlisk (1969)); living in a single parent household (Bachman, Green and Wirtanen (1971), Shaw (1979)); having a larger number of siblings (Bachman, Green and Wirtanen (1971), Rumberger (1981), Shaw (1979), Watson (1976)) and being non-Catholic (Nam, Rhodes and Herriott (1968)). Also, Rumberger (1981) found that less knowledge of the world of work (an intelligence proxy), educational expectations, being married, living in an SMSA, and a lower local unemployment rate (which may reflect the opportunity costs of remaining in school) increase the probability of dropping out. Bachman, Green and Wirtanen (1971) and Rumberger (1981) both found that individuals who were more internal (felt they had control over their own affairs) had lower dropout rates than those who felt their lives were externally controlled. Finally, McNally (1977) found lower dropout rates for those youth who were employed.

Attitudes toward school were related to the probability of leaving in Bachman, Green and Wirtanen (1971).[6] They also found that students behind grade level and blacks attending segregated schools had higher probabilities of dropping out. McNally (1977) found a positive relationship between student-teacher ratios and dropping out for blacks and between the dropout rate and being behind grade level in school. Curriculum might also be expected to affect dropout rates with those students having specific goals as evidenced by participation in vocational or college preparatory programs being less likely to drop out, although McNally (1977) did not find a significant relationship when looking only at participation in vocational education.

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[5] The NLS finds for youth 20-21 that 31 percent of Hispanics, 24 percent of blacks and 12 percent of whites did not complete high school. Other studies show minorities have lower rates when socioeconomic background is controlled (Masters (1969)). The NLS has aggregate dropout rates of 16 percent for males and 13 percent for females, 20-21 years old.

[6] The NLS contains a dichotomized global satisfaction with school measure and it would be expected that those students who were dissatisfied with school would more likely be the ones to drop out.

In addition, the NLS provides school, background and attitudinal variables not contained in other studies which can be hypothesized to affect the probability of dropping out of school. Receipt of remedial English or mathematics training could be expected to indicate a problem in school and consequently be associated with higher dropout rates for those students who have received these services. Students in smaller schools, private schools and those from areas where greater expenditures on education were made from government funds were hypothesized to have lower dropout rates because of the additional attention and resources which would be provided to them. Those young persons who had moved in the preceding year were thought to be more prone to dropping out because they lacked roots in their new schools. Second generation Americans possibly lack the home support for staying in school although the pressures to "Americanize" may counteract this. Those who attend religious services more frequently were expected to stay in school. Students who do not view the labor force as their prime goal (i.e., said they would not be working at age 35), those intending to join the military, and those who are married or intend to marry within five years, all were felt to be more likely to drop out of high school. Finally, those students whose 1979 family income was below the poverty level, as defined in the Current Population Survey, can be expected to have higher dropout rates due to their greater financial need.

Findings

The dependent variable for analysis was defined as whether or not youth who were 14-22 and enrolled below the college level when interviewed in 1979 had dropped out of school without completing the twelfth grade when interviewed in 1980. All of the independent variables discussed above were included in the model, using their values as of Spring 1979 unless otherwise noted. The data were run using both ordinary least squares and probit analysis and the results are presented in Table 4.1. Also presented in Table 4.1 are the mean dropout rates by characteristic.[7]

As is evident from the table many of the variables previously found to lead to dropping out were significant in this analysis too. Exceptions were sex, number of siblings, parental nativity, availability of reading materials in the home at age 14, religion, extent of internality/externality, region of the country, residence in an SMSA or rural area, the local unemployment rate, and the degree of segregation in the school.[8]

After controlling for the other variables, it is found that black youth have an approximately 2.5 percentage point lower probability of dropping out of school.[9] Each additional year of age increases the dropout probability by about 1 percentage point and those youth who have had a child between the interviews have increased dropout probability by 6 percentaga points. Family background is important, in that coming from a household where the father did not complete the twelfth grade[10] increases the dropout probability by nearly 3 percentage points. Those whose family incomes in 1978 were below the poverty line had a 1.5 percentage point higher probability of dropping out of school and those whose mothers were not in the household at age 14 had about a 2.5 percentage point higher probability of leaving school. Those youth with more regular religious attendance were less likely to be dropouts. Also, youth having less knowledge of the labor market (a partial proxy for ability; see Parnes and Kohen (1975)) had higher probabilities of dropping out by up to 4 percentage points.

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[7] The regressions were run without using the sample weights. Due to computer program limitations, not all variables could be included in the probit analysis. Therefore, only those variables significant at P = .10 in the OLS regressions were included. The mean dropout rates are weighted to reflect the national population.

[8] Since there were zero-order correlations of many of these variables with the dropout rate we conclude that they must be correlated with other variables in the analysis which are more important.

[9] The percentage point increases or decreases in the probabilities in this chapter are taken from the probit equations evaluated at the means. They represent the average changes for the entire sample holding the other variables constant at their means.

Intentions for the future are also important correlates of dropping out of school. Those who intend to work at age 35 are about 2 percentage points more likely to stay in school, as are those who do not intend to join the military. Similar increases in the probability of remaining in school occurred among those youth who did not intend to marry within five years. Substantially lower dropout rates (reduction of nearly 3.5 percentage points) were found for those who expected to attend college. Similarly, dropout rates of about 2 percentage points lower were found for students enrolled in college preparatory curricula as opposed to general curricula, for students who were satisfied with school, and for those who were not two or more years behind modal grade. Students in schools with higher student-teacher ratios were more likely to be dropouts than those in schools with student-teacher ratios less than 15, although the relationship was not linear. Likewise, students in counties where 55 percent or more local government funds were spent on education had lower dropout rates. Finally, those youth who were unemployed at the time of the 1979 interview had higher dropout rates than those who were out of the labor force or employed.[11]

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[10] If the father was absent at age 14, mother's education was used.

II. DROPOUTS RETURNING TO SCHOOL

Between Spring 1979 and 1980 approximately eight percent, or about 280,000, of the 14-22 year olds who had dropped out of high school returned. One would hypothesize that the same variables which lead to dropping out of school would influence the decision to return to school, but that the signs on the variables would be in the opposite direction. For instance, students with high educational expectations after dropping out would be more likely to return to school.[12] Thus, the independent variables used in the analysis included all those in the equations for dropping out of school.[13] The dependent variable was whether or not nonenrolled youth 14-22, who had not received a high school diploma or GED when interviewed in 1979, were enrolled when interviewed in 1980. Again, OLS and probit analyses were conducted.

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[11] It may be argued that the schooling variables are in fact intermediate outcomes of family background and other variables, possibly introducing multicollinearity. Therefore, the OLS equations were run omitting all of the school variables. The major changes were that being male, living in an SMSA, having moved in 1978, and the index of reading materials and sex were now significant. Also, some of the previously significant variables increased their coefficients and t-values.

[12] This was born out in the study by Larter and Cheng (1979).

[13] School satisfaction, which was only measured for those in school, was not included in this equation. A variable for having been married was added to the equation since it was hypothesized that single youth would be more likely to return to school. There were not enough cases of married persons to include this variable in the dropout equation.

Earlier regression runs had also included variables for reason left school and length of time out of school, but these were not statistically significant and are omitted here.

Findings

· Only a few factors influence the return to school (Table 4.2). Older youth were less likely to return (each additional year of age decreased the probability by two percentage points). Those youth expecting to attend college were more likely to return (this increased the probability by five percentage points), dropouts from the West were more likely to return than those from the South (four percentage points), as were never married youth (three points). Finally, youth living in counties where government expenditures on schools were 45 to 50 percent of local government funds were less likely to return than youth from schools where less was spent on the schools.

III. GOING DIRECTLY TO COLLEGE

Of the 3,190,000 youth enrolled in the 12th grade in the Spring of 1979, 48 percent were enrolled in college a year later. The same variables which influence dropping out of high school and returning to high school by dropouts apparently also influence the decision to go directly to college. Race (Kolstad (1979)), sex (Robertshaw and Wolfle (1980)) and age (Rumberger (1981)) have been found to be important variables. Parental education has been found to be positively correlated with college attendance in almost all studies (Bachman, Green, and Wirtanen (1971), Christensen, Melder and Weisbrod (1975)). Likewise, Kolstad (1979), Robertshaw and Wolfle (1980), and Rumberger (1981) all found that number of siblings, educational expectations and a measure of academic ability influence enrollment in college. Kolstad (1979) also found that high school curriculum was important. Robertshaw and

Table 4.2 Factors Influencing Returning to School by High School Dropouts During 1979-1980

Characteristic	Mean Rate of Returning to School	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
Age		-0.028	-4.19**	-0.028	-5.60**	-0.272	-5.82**	-0.021
Race								
Black	9.2	0.015	0.56					
Hispanic	8.0	0.007	0.22					
White	7.6	--	--					
Sex								
Female	8.7	--	--					
Male	7.3	-0.046	-1.51					
Number of Siblings		-0.003	-1.15					
Ever Married								
Yes	2.4	-0.043	-1.93+	-0.034	-1.89+	-0.438	-2.37*	-0.033
No	10.6	--	--	--	--	--	--	--
Had Child Between Interviews								
Yes	4.0	-0.011	-0.47					
No	8.3	--	--					
Father's Education								
0-11 years	6.8	-0.029	-0.82					
12 years	9.7	-0.007	-0.19					
More than 12 years	16.8	--	--					
Not available	5.5	-0.035	-0.81					
Poverty Status of Family in 1978								
Above poverty	8.8	--	--	--	--	--	--	--
Below poverty	7.4	-0.037	-1.93+	-0.032	-1.81+	-0.228	-1.53	-0.017
Not available	6.5	-0.037	-1.75+	-0.034	-1.68+	-0.214	-1.22	-0.016
Mother in Home at Age 14								
Yes	7.9	--	--					
No	6.9	-0.026	-0.96					
Father in Home at Age 14								
Yes	7.0	--	--					
No	10.4	0.023	1.24					

Table 4.2 continued

Characteristic	Mean Rate of Returning to School	OLS Results[a]		OLS Results With Only Those Variables Significant at p< .1[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
Mother Born Outside the United States								
Yes	4.1	-0.004	-0.10					
No	8.4	--	--					
Father Born Outside the United States								
Yes	5.4	-0.014	-0.33					
No	8.2	--	--					
Index of Reading Materials in the Home at Age 14		0.001	0.09					
Religion								
Catholic	9.7	0.009	0.38					
Other	7.3	--	--					
Frequency of Religious Atttendance		-0.0001	-0.47					
Move During 1978								
Yes	10.1	-0.019	-0.78					
No	7.6	--	--					
Knowledge of the World of Work Score		0.003	0.76					
Rotter Score		0.002	0.66					
Intend to Work at Age 35								
Yes	8.4	-0.008	-0.43					
No	11.7	--	--					
Not available	5.7	0.003	0.09					
Intend to Join Military								
Yes	13.6	0.039	1.43					
No	7.4	--	--					

Characteristic	Mean Rate of Returning to School	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
Intend to Marry Within 5 Years - Female								
Yes	8.0	-0.005	-0.17					
No	11.3	--	--					
Intend to Marry Within 5 Years - Male								
Yes	5.2	0.010	0.43					
No	10.6	--	--					
Region								
Northeast	10.7	0.018	0.63	0.018	0.76	0.284	1.41	0.022
North Central	5.7	0.015	0.65	0.015	0.71	0.170	0.89	0.013
South	4.5	--	--	--	--	--	--	--
West	16.0	0.063	2.38*	0.059	2.63**	0.490	2.62**	0.037
Residence in an SMSA								
Yes	8.7	-0.037	-1.47					
No	6.3	--	--					
Residence								
Rural	7.0	-0.032	-1.22					
Urban	8.2	--	--					
Local Unemployment Rate								
Less than 3 percent	5.2	--	--					
3-6 percent	8.1	0.002	0.05					
6-9 percent	7.0	-0.002	-0.03					
9-12 percent	15.9	0.031	0.48					
More than 12 percent	8.0	-0.113	-1.42					
Employment Status at 1979 Interview								
Employed	6.7	-0.008	-0.37					
Unemployed	10.6	0.003	0.14					
Out of labor force	8.0	--	--					
Expects to Attend College								
Yes	23.0	0.104	3.95**	0.104	4.11**	0.706	4.05**	0.053
No	6.0	--	--	--	--	--	--	--

Table 4.2 Continued

Characteristic	Mean Rate of Returning to School	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
High School Curriculum								
General	8.2	--	--	--	--	--	--	--
College preparatory	1.1	-0.013	-0.35	-0.002	-0.06	0.067	0.24	0.005
Vocational	13.0	0.058	2.27*	0.049	1.93+	0.286	1.57	0.022
Not available	2.6	-0.045	-2.00*	-0.053	-2.65**	-0.779	-3.30**	-0.059
Two or More Years Behind Modal Grade								
Yes	20.4	-0.078	-2.96**	-0.075	-2.93**	-0.136	-0.79	-0.010
No	6.0	--	--	--	--	--	--	--
Remedial Education Received								
Yes	9.4	0.028	1.08					
No	6.9	--	--					
Not available	8.2	0.035	1.31					
Student-Teacher Ratio								
Less than 16	11.0	--	--	--	--	--	--	--
16	2.8	-0.094	-1.68+	-0.089	-1.64	-0.875	-1.51	-0.066
17	5.1	-0.069	-1.33	-0.063	-1.23	-0.393	-1.01	-0.030
18	3.5	-0.054	-1.14	-0.061	-1.39	-0.318	-0.91	-0.024
19	14.7	0.012	0.26	0.011	0.25	0.071	0.21	0.005
20	9.1	-0.072	-1.35	-0.084	-1.70+	-0.654	-1.64	-0.050
21	6.7	-0.083	-1.64	-0.079	-1.70+	-0.583	-1.55	-0.044
22	5.2	-0.069	-1.35	-0.068	-1.35	-0.280	-0.80	-0.021
23	8.7	-0.039	-0.62	-0.045	-0.76	-0.355	-0.80	-0.027
24 or more	9.7	-0.021	-0.45	-0.014	-0.33	-0.122	-0.38	-0.009
Not available	8.1	-0.084	-1.21	-0.035	-1.02	-0.250	-1.01	-0.019
School Size								
1-999 students	7.4	0.001	0.04					
1000-1749 students	6.1	-0.044	-1.46					
More than 1750 students	10.3	--	--					
Not available	8.0	0.006	0.10					
Percent of Local Government Funds Spent on Education								
Less than 40 percent	11.2	--	--	--	--	--	--	--
40-45 percent	9.9	0.007	0.27	0.014	0.57	0.157	0.82	0.012
45-50 percent	1.7	-0.055	-1.84+	-0.054	-1.90+	-0.648	-2.12*	-0.049

Characteristic	Mean Rate of Returning to School	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
50-55 percent	6.2	-0.035	-1.24	-0.041	-1.56	-0.356	-1.56	-0.027
55-60 percent	9.3	-0.015	-0.51	-0.009	-0.32	-0.051	-0.23	-0.004
More than 60 percent	6.1	-0.006	-0.20	-0.004	-0.15	-0.001	-0.01	-0.0001
Not available	8.0	-0.035	-0.75	-0.001	-0.02	-0.183	-0.50	-0.014
Minority Status of Respondent and Percentage of Minority Students in School								
Minority respondent, school less than 10% minorities	0	--	--					
Minority respondent, school 10-50% minorities	9.1	--	--					
Minority respondent, school more than 50% minorities	12.7	-0.011	-0.28					
White respondent, school less than 10% minorities	6.0	-0.027	-0.68					
White respondent, school 10-50% minorities	7.3	-0.023	-0.55					
White respondent, school more than 50% minorities	13.4	0.039	0.60					
Not available	7.9	0.005	0.12					
Type of School								
Public	7.9	--	--					
Private	8.2	-0.047	-0.90					
Constant		0.814	5.35**	0.741	7.61**	4.162	4.79**	0.315
Mean	7.9							
R^2 (adj.)		0.094		0.101				

Table 4.2 continued

Characteristic	Mean Rate of Returning to School	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
2 Times Log Likelihood Ratio						141.93		
N		1130		1130		1130		

UNIVERSE: Respondents age 14-21 on January 1, 1979 who were enrolled in primary or secondary school at survey date 1979 or May 1, 1979, whichever was earlier.

[a] The values entering the intercept were being white, female, never married, not having a child between interviews, father's education more than 12 years, family income in 1978 above the poverty level, having mother and father in home at age 14, mother and father born inside the U.S., not Catholic, not having moved in 1978, not intending to work at age 35, not intending to join the military, not intending to marry within five years, lived in the South, living outside of an SMSA, living in a county more than 50 percent urban, local unemployment rate less than three percent, out of the labor force at 1979 survey date, not expecting to attend college, enrolled in a general high school curriculum, not two or more years behind modal grade level, did not receive remedial education, attending a school with a student-teacher ratio of less than 16, attending a school with at least 1,750 students, living in a county where less than 40 percent of local government funds are spent on education, a minority attending a school with less than 50 percent minority enrollment, and attending a public school.

[b] The values entering the intercept were being never married, family income in 1978 above poverty level, lived in the South, not expecting to attend college, enrolled in general high school curriculum in 1979, not being two or more years behind grade level, being enrolled in a school with a student/teacher ratio of less than 15, and living in a county where less than 40 percent of local government funds are spent on education.

†Significant at P = .10
*Significant at P = .05
**Significant at P = .01

Wolfle (1980) found a rural background to lead to lower enrollment and Rumberger (1981) found a positive correlation with the reading materials index, living in the South, local unemployment rates, marital status, having a child and for Hispanics living in a central city. Bachman, Green and Wirtanen (1981) found lower college attendance among those youth who had failed one or more times in school, had negative attitudes toward school, came from broken homes, or were non-Jews, and among blacks in racially segregated schools.

In addition to including all the above variables, we hypothesize that the other variables used in the previous analyses will also apply to college decision making. For example, the student-teacher ratio in high school should be a predictor on the basis that those students coming from high schools with lower student-teacher ratios are more likely to be academically prepared to go on to college. Receipt of remedial English or mathematics training could be expected to indicate poor academic preparation and, therefore, lower the rate of college attendance. Coming from a household in poverty during 1978 should indicate financial hardship which limits college attendance. Finally, youth who are not in the labor force, who plan to work at age 35 and who do not plan to join the military (those presumably more committed to school than work) would be expected to have higher percentages going directly to college than would other youth.

Findings

In the analysis of determinants of moving directly from the twelfth grade on to college most of the variables were significant (see Table 4.3). Several, however, had unexpected signs when the other variables were controlled. The probability for females was ten points higher than for males and, youth in the South had 7 to 12 percentage points higher college

Influencing Going from 12th Grade to College During 1979-1980

Characteristic	Mean Rate of Going to College	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
Age		0.043	1.82+	0.055	2.35*	0.284	2.93**	0.109
Race								
Black	42.0	0.009	0.16					
Hispanic	46.0	0.012	0.17					
White	48.5	--	--					
Sex								
Female	51.0	--	--	--	--	--	--	--
Male	44.1	-0.072	-1.99*	-0.072	-2.03*	-0.273	-1.91+	-0.104
Number of Siblings		-0.008	-1.40					
Had Child Between Interviews								
Yes	6.1	-0.066	-0.90					
No	48.2	--	--					
Father's Education								
0-11 years	28.0	-0.167	-4.31**	-0.169	-4.81**	-0.651	-4.61**	-0.249
12 years	39.5	-0.157	-4.43**	-0.139	-4.05**	-0.482	-3.54**	-0.184
More than 12 years	72.6	--	--	--	--	--	--	--
Not available	22.2	-0.152	-2.32*	-0.159	-2.53*	-0.505	-2.33*	-0.223
Poverty Status of Family in 1978								
Above poverty	50.2	--	--	--	--	--	--	--
Below poverty	28.9	0.015	0.36	-0.002	-0.06	0.091	0.61	0.035
Not available	45.2	-0.063	-1.91+	-0.071	-2.21*	-0.325	-2.38*	-0.124
Mother in Home at Age 14								
Yes	48.2	--	--					
No	25.3	-0.030	-0.45					
Father in Home at Age 14								
Yes	49.0	--	--					
No	38.2	-0.049	-1.37					

Characteristic	Mean Rate of Going to College	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
Mother Born Outside the United States								
Yes	56.0	0.138	2.10*	0.127	2.03*	0.433	1.81+	0.165
No	46.7	--	--	--	--	--	--	--
Father Born Outside the United States								
Yes	60.3	0.047	0.64	0.031	0.44	0.189	0.71	0.072
No	46.9	--	--	--	--	--	--	--
Index of Reading Materials in the Home at Age 14		0.017	1.03					
Religion								
Catholic	48.0	-0.042	-1.24					
Other	47.3	--	--					
Frequency of Religious Attendance		0.001	2.43*	0.001	2.94**	0.005	3.14**	0.002
Move During 1978								
Yes	42.5	-0.098	-1.33					
No	47.7	--	--					
Knowledge of the World of Work Score		0.015	2.01*	0.014	2.00*	0.057	2.03*	0.022
Rotter Score		-0.017	-2.60**	-0.017	-2.73**	-0.074	-2.89**	-0.028
Intend to Work at Age 35								
Yes	49.3	0.060	1.59					
No	40.8	--	--					
Not available	40.3	0.027	0.44					
Intend to Join Military								
Yes	26.0	-0.030	-0.50					
No	48.0	--	--					

Table 4.3 Continued

Characteristic	Mean Rate of Going to College	OLS Results^a		OLS Results With Only Those Variables Significant at $p \leq .1^b$		Probit Results^b		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
Intend to Marry Within 5 Years - Female								
Yes	43.9	-0.096	-2.71**	-0.112	-3.22**	-0.437	-3.09**	-0.167
No	48.9	--	--	--	--	--	--	--
Intend to Marry Within 5 Years - Male								
Yes	31.4	-0.006	-1.70+	-0.073	-1.94+	-0.339	-2.12*	-0.129
No	51.4	--	--	--	--	--	--	--
Region								
Northeast	52.2	-0.072	-1.56	-0.075	-2.07*	-0.321	-2.15*	-0.123
North Central	44.5	-0.038	-0.97	-0.052	-1.55	-0.227	-1.64	-0.087
South	51.9	--	--	--	--	--	--	--
West	36.1	-0.063	-1.71+	-0.053	-1.31	-0.191	-1.16	-0.073
Residence in an SMSA								
Yes	49.6	-0.017	-0.44					
No	42.7	--	--					
Residence								
Rural	50.6	-0.039	-0.85					
Urban	36.0	--	--					
Local Unemployment Rate								
Less than 3 percent	60.3	--	--					
3-6 percent	47.0	0.005	0.05					
6-9 percent	48.7	0.039	0.33					
9-12 percent	39.9	0.119	0.90					
More than 12 percent	49.2	0.212	1.40					
Employment Status at 1979 Interview								
Employed	45.9	-0.019	-0.65					
Unemployed	44.4	-0.048	-1.20					
Out of labor force	51.8	--	--					
Expects to Attend College								
Yes	68.7	0.380	12.58**	0.394	13.67**	1.466	11.74**	0.560
No	8.2	--	--	--	--	--	--	--

Characteristic	Mean Rate of Going to College	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[a]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
High School Curriculum								
General	49.6	--	--	--	--	--	--	--
College preparatory	81.4	0.213	6.77**	0.216	7.06**	0.731	6.12**	0.279
Vocational	13.7	-0.059	-1.56	-0.049	-1.31	-0.223	-1.39	-0.085
Not available	18.4	-0.128	-2.07*	-0.134	-2.20*	-0.655	-2.28*	-0.250
School Satisfaction								
Satisfied	48.0	0.048	1.24					
Not satisfied	42.2	--	--					
Two or More Years Behind Modal Grade								
Yes	14.4	-0.140	-2.29*	-0.155	-2.59**	-0.838	-3.05**	-0.320
No	49.7	--	--	--	--	--	--	--
Remedial Education Received								
Yes	24.0	-0.111	-2.92**	-0.104	-2.84**	-0.419	-2.75**	-0.160
No	52.5	--	--	--	--	--	--	--
Not available	46.7	-0.029	-0.61	-0.025	-0.75	-0.115	-0.84	-0.044
Student-Teacher Ratio								
Less than 15	41.9	--	--	--	--	--	--	--
15	40.9	-0.149	-1.86+	-0.142	-1.81+	-0.461	-1.43	-0.176
16	43.9	-0.099	-1.37	-0.108	-1.54	-0.489	-1.62	-0.187
17	52.0	-0.044	-0.66	-0.030	-0.47	-0.176	-0.66	-0.067
18	57.2	-0.016	-0.25	-0.002	-0.04	-0.002	-0.01	-0.001
19	42.0	-0.121	-2.02*	-0.110	-1.93+	-0.365	-1.51	-0.139
20	54.9	-0.093	-1.34	-0.076	-1.19	-0.274	-1.01	-0.105
21	50.6	-0.088	-1.37	-0.067	-1.12	-0.319	-1.27	-0.122
22	52.0	-0.059	-0.82	-0.043	-0.64	-0.190	-0.66	-0.073
23	44.2	-0.107	-1.43	-0.071	-1.02	-0.314	-1.10	-0.120
24 or more	46.4	0.013	0.20	0.005	0.08	0.043	0.17	0.016
Not available	44.2	0.041	0.45	-0.066	-1.29	-0.211	-0.95	-0.081
School Size								
1-999 students	41.6	-0.016	-0.36					
1000-1749 students	54.4	0.061	1.64					
More than 1750 students	50.2	--	--					
Not available	43.8	-0.126	-1.41					

Table 4.3 Continued

Characteristic	Mean Rate of Going to College	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
Percent of Local Government Funds Spent on Education								
Less than 40 percent	46.6	--	--					
40-45 percent	48.1	0.022	0.49					
45-50 percent	50.8	0.071	1.35					
50-55 percent	50.5	0.068	1.42					
55-60 percent	48.6	0.059	1.24					
More than 60 percent	38.2	0.073	1.41					
Not available	55.7	-0.004	-0.05					
Minority Status of Respondent and Percentage of Minority Students in School								
Minority respondent, school less than 10% minorities	29.0	--	--					
Minority respondent, school 10-50% minorities	46.2	--	--					
Minority respondent, school more than 50% minorities	45.3	-0.037	-0.74					
White respondent, school less than 10% minorities	45.7	-0.078	-1.14					
White respondent, school more than 10% minorities	52.1	-0.096	-1.38					
Not available	47.4	-0.027	-0.45					
Type of School								
Public	45.6	--	--					
Private	74.4	-0.047	-0.75					
Constant		-0.362	-0.78	-0.514	-1.18	-5.206	-2.87**	-1.987
Mean	47.5							

Characteristic	Mean Rate of Going to College	OLS Results[a]		OLS Results With Only Those Variables Significant at $p \leq .1$[b]		Probit Results[b]		Partial Derivative Evaluated at Means
		Coefficient	t-value	Coefficient	t-value	Maximum Likelihood Estimate	t-value	
R^2 (adj.)		0.412		0.409				
2 Times Log Likelihood Ratio						514.777		
N		971		970		970		

UNIVERSE: Respondents age 14-21 on January 1, 1979 who were enrolled in primary or secondary school at survey date 1979 or May 1, 1979, whichever was earlier.

[a] The values entering the intercept were being white, female, not having a child between interviews, father's education more than 12 years, family income in 1978 above the poverty level, having mother and father in home at age 14, mother and father born inside the U.S., not Catholic, not having moved in 1978, not intending to work at age 35, not intending to join the military, not intending to marry within five years, lived in the South, living outside of an SMSA, living in a county more than 50 percent urban, local unemployment rate less than three percent, out of the labor force at 1979 survey date, not expecting to attend college, enrolled in a general high school curriculum, being dissatisfied with school, not two or more years behind modal grade level, did not receive remedial education, attending a school with a student-teacher ratio of less than 15, attending a school with at least 1,750 students, living in a county where less than 40 percent of local government funds are spent on education, a minority attending a school with less than 50 percent minority enrollment, and attending a public school.

[b] The values entering the intercept were being female, mother and father born inside the U.S., father's educational attainment more than 12 years, family income in 1978 above poverty level, not intending to marry within five years, lived in the South, not expecting to attend college, enrolled in general high school curriculum in 1979, not being two or more years behind grade level, did not receive remedial education, and being enrolled in a school with a student/teacher ratio of less than 15.

+Significant at P = .10
*Significant at P = .05
**Significant at P = .01

attendance than their counterparts in other parts of the country.[14]

Other significant variables were in the expected directions. Much higher probabilities of moving from the twelfth grade to college were found for older students (about eleven percentage points with each year of age); those whose fathers attended college (18 to 25 points higher); more able students as shown by their knowledge of the labor market (up to 22 points); those not two or more years behind modal grade (32 points) and not having taken remedial education (16 points); those in college preparatory curricula (28 points above those in general programs and 35 points above those in vocational curricula); and those whose mothers were born outside the U.S. (16 percentage points). Those students who were more internal (thought they had more control over their environments), who did not intend to marry within five years and who attended religious activities more often also were more likely to move directly to college.

Several variables which were not statistically significant were: race; unemployment status of the youth and local unemployment rate; number of siblings; absence of a parent when growing up; and school satisfaction, size, racial composition, type and funding level. These variables appear to indicate that financial constraints and school resources are relatively unimportant in determining who goes on to college when other variables are controlled.

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[14] To test whether these effects were artifacts of correlations with the school and the expectations for going to college variables, the OLS equation was run without them. The results were even more dramatic; the coefficients for Hispanics, blacks, females, not living in a rural area, the reading materials index, not living in the North Central states, and intending to work at age 35 became positive and significant at $P = .05$.

IV. CONCLUSIONS

Several conclusions may be drawn from these findings.

1. In aggregate, black and Hispanic youth have higher dropout rates and lower probabilities of moving from high school directly to college than do whites. To the extent that these educational decisions affect subsequent labor market success we will have continuing racial inequality.

These racial differences in schooling decisions, however, appear due to factors other than race and ethnicity. When other factors are controlled black youth are less likely than whites to drop out of school, and minority youth are just as likely to move on to college from the twelfth grade as are white young people. Apparently it is the variables correlated with race and ethnicity which lead minorities to their "negative" educational behavior. Family background variables correlated with minority status which affect schooling decisions include lower father's education, for both blacks and Hispanics, and greater incidence of being from poverty homes and absence of mother and/or father in the home at age 14, and having a child during the year, for blacks. Also, minorities have poorer schooling situations, i.e., blacks and Hispanics tend to have higher proportions two or more years behind modal grade, much lower knowledge of the labor market scores (our ability proxy), and higher student-teacher ratios.[15] Finally, black youth were more likely to be unemployed.

The implication of these findings is that to improve the schooling situtation of minorities these other variables must be changed. Obviously, public policy, particularly as it relates to schools, can do very little to alter some of these variables. For instance, if knowledge of the labor market is actually a measure of basic intelligence there is little that schools can do to alter it. Similarly, growing up in a single parent household is not a fact that is easily manipulated by public policy although government policies other than schooling may impact on this variable. On the other hand, specific background and school-related variables can be influenced by public actions. For instance, the knowledge of the world of work score has been shown to be correlated with race, poverty and age in earlier studies (Parnes and Kohen (1975)), indicating that the scale may reflect learned and cultural materials rather than genetically inherited traits. This correlation implies that teaching about the labor market in the schools might reduce the dropout rates and increase the proportion of youth going on to college. Obviously, reducing the number of youth who are behind grade level and are dissatisfied with school will also positively affect these decisions. Such changes would in turn lower the overall differential between whites and minorities.

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[15] It should be noted, however, that when the school variables were dropped from the OLS regressions the same relationships between race and ethnicity and the schooling decisions still occurred.

2. Coming from a poverty household and being unemployed while in school tend to raise the probability of dropping out of school, ceteris paribus. The higher dropout probability for poor youth may be the result of the youth facing substantial economic burdens which do not allow them to continue in school or of the higher marginal utility of income from finding jobs rather than from further schooling. Unemployed youth may similarly have financial burdens which they are trying to meet by seeking work or may be looking for attractive alternatives to school. Regardless of the reason for the higher dropout rates, it does not appear that programs which increase employment or reduce poverty will have a large direct effect on school enrollment. The effects of these two variables are not large; a reduction of less than one percentage point in the national dropout rate would result if there were no

poverty and all youth were employed or not in the labor force.

3. While it should be noted that on average youth from poorer families were less likely to attend college this was probably due to the family background variables of poor youth, such as lower parental education and lower knowledge of the labor market, which were related to college attendance. When these factors were controlled, the percentages of poor youth going on to college were not statistically different from those who were not poor. It would appear that government and other financial aid were sufficient to overcome the strictly monetary problems of students and financial constraints were not a major impediment to college attendance during 1979-80 among those students who do complete high school.

4. School segregation did not affect either the dropout or college attendance probabilities significantly when other factors were controlled. This implies that integration efforts will not affect these two variables directly.

5. Curriculum is a determinant of dropping out of school and going on to college. Students in college preparatory programs have lower dropout rates and higher college attendance than students in general studies and vocational curricula. Unfortunately it is not clear how much of these differences are the result of the programs and how much represents self selection on the part of the students: students desiring to complete school and go on to college could be expected to seek out college preparatory courses. To some extent the inclusion of the expected level of education controls for self selection bias, but it is doubtful that it controls for all of it, so it is impossible to say if placement of more students in the college preparatory tracks would lead to reduced numbers of dropouts.

Plans for the future may reflect a young person's outlook on life but these plans also may be a function of their past experiences. For instance, youth planning to marry are more likely to drop out of school and not to go on directly to college from the twelfth grade. It is not clear whether these young people are reducing their education because of their marital expectations or whether failures in high school have turned them away from education and toward other outlets, such as families. Regardless of the flow of causality, however, those youth who plan to marry earlier, join the military, and not to work at age 35, are more likely to leave school than other youth.

6. School characteristics appear to have only limited influence on the three schooling decisions under study here. The dropout rate rises somewhat with student-teacher ratio and reduced proportions of local government funds spent on education. Students in schools with student-teacher ratios of less than 18 generally have dropout ratios about two percentage points lower than those where the ratio is 19 to 21, and three to four percentage points below students in schools where the ratio is 22 or more. The relationship is not linear, however, so that the effect of removing one student from each class would not be the same, e.g., going from classes of 23 to classes of 22 would appear to increase the dropout rate by one percentage point. Similarly, students in counties where less than 40 percent of local government funds are spent on education have higher dropout rates than those in areas where over 55 percent of funds are spent on this function, although again the relationship is nonlinear, and the reduction in dropouts is less than two percentage points. Thus, while lowering the student-teacher ratio and increasing government expenditures on eduation would lead to some reduction in dropouts, their impact would not likely be very great.

7. Satisfaction with school is a correlate of dropping out; it would

appear that if school satisfaction can be increased, dropping out of school can be decreased. Less clear is how this is to be accomplished. In addition to the single question on global satisfaction with school, nine more specific attitude questions were asked. Overall satisfaction was correlated significantly ($.12 \leq r \leq .20$, $P = .001$) with each, however, so that it is not evident that any specific actions such as improving teaching or counselling or school safety will necessarily have a significant impact on dropping out of school.[16]

8. Teenage pregnancy is one of the major reasons for dropping out of school; having or fathering a child during the year increased the probability by six percentage points. Obviously, to the extent that childbearing is delayed until schooling is completed, educational attainment will be increased as will the youth's subsequent labor market success, which has been shown to be correlated with high school graduation.

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[16] When the nine specific questions were included in earlier regression runs along with the global satisfaction question, none was statistically significant at $P = .05$.

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HEARINGS ON YOUTH INCENTIVE EMPLOYMENT ACT

THURSDAY, MAY 3, 1984

House of Representatives,
Committee on Education and Labor,
Subcommittee on Employment Opportunities,
Washington, DC.

The subcommittee met, pursuant to call, at 9:30 a.m. in room 2261, Rayburn House Office Building, Hon. Augustus F. Hawkins (chairman of the subcommittee) presiding.

Members present: Representatives Hawkins, Martinez, Owens, Jeffords, and Gunderson.

Staff present: Susan Grayson McGuire, staff director; Carole M. Schanzer, deputy staff director; Brad Jefferies, legislative assistant; Teresita P. Schroeder, administrative assistant; and Beth Buehlmann, Republican senior legislative associate.

Mr. **Hawkins**. The Subcommittee on Employment Opportunities is called to order. The hearing this morning is a continuation of the hearing on the Youth Incentive Employment Act, H.R. 5017.

The first witness before the committee this morning is the Honorable Wayne Dowdy of Mississippi. We have been informed that Representative Dowdy will be late. Therefore, we will go on to the Youth Research Panel consisting of Dr. Andrew Hahn, assistant dean, Brandeis University, and Dr. Andrew Sum of the Center for Labor Market Studies, Northeastern University. Dr. Hahn and Dr. Sum in the audience, would you kindly be seated at the witness table? We are very appreciative of your appearance this morning.

The Chair would like to announce that all prepared statement will be entered in the record and the witnesses may summarize from them or deal with the highlights of them and that way to enable the members of the committee to address questions to them.

Dr. Hahn, suppose we hear from you first?

Mr. **Hahn**. Actually, we are going to reverse it, if you don't mind.

Mr. **Hawkins**. That will be all right. Dr. Sum.

STATEMENT OF ANDREW SUM, CENTER FOR LABOR MARKET STUDIES, NORTHEASTERN UNIVERSITY

Mr. **Sum**. Thank you.

Just as a quick introductory comment, Dr. Hahn and myself have been involved in the employment training field for the last 10 to 15 years and from 1977 on we have been involved in being responsible for helping interpret, synthesize and disseminate the findings of the knowledge, development, and effort under the Youth Employment Demonstration Project Act. The testimony that we have prepared for your use is based in large part upon our experiences with youth programs under JTPA during that 5-year period from 1977 to 1982.

Now, given the time constraints, I will focus my discussion on three basic issues regarding the proposed legislation and Dr. Hahn will follow that up with lessons of experience from past programs and their implications for the design of this program.

The first issue I would like to focus on really has to do with understanding what has taken place in the youth labor market in the last 5 years and what those findings indicate about the need for a program being proposed here today.

The major points that I would like to make in that area are the following.

First, I think we need to recognize that substantial deterioration has taken place in the labor market for teens in this country during the past 5 years and that the nature of the problem goes well beyond that of official unemployment. While official measured unemployment among all teens and particularly among poor and black teens is extraordinarily high, the nature of the youth problem goes well beyond that of official measured unemployment and that is true for the following reasons.

First, during the past 5 years, there have been sharp declines in the participation rates of teenagers throughout the country. Between 1979 and 1983 the participation rate of young people fell by 5 percentage points or 10 percent in relative terms. At a time when all official projections that the Bureau of Labor Statistics made indicated that there would be more young people participating in the labor force rather than less.

Second, combined with that sharp drop in participation was the relatively large increase in the unemployment rate of teens in the last 5 years by approximately 45 percent. As a result of both depressed participation and rising unemployment, the share of teenagers that held jobs in 1983 was lower than it had been at any time since the mid-1960's. Eighteen years of gains in employment for teenagers were wiped out in 4 years and the employment share among black youth in 1983 was the lowest it has ever been since the end of World War II.

The Bureau of Labor Statistics projections, as I earlier indicated, had suggested that rather than their being fewer teens in the labor force, there would be more teens as we went through the 1980's. The falling off of youth population was expected to facilitate the absorption of young people in the labor force. What data indicate is that there should have been, last year, approximately 1.2 million more teenagers in the labor force than actually participated. In last year's surveys of the population survey, in addition to the high level of unemployment, there were 1.6 million teenagers who were out of the labor force, but responded that they wanted a job at the time of the survey.

The third feature about youth employment that has deteriorated badly is the fall off in full time employment. Very little attention has been paid to the fact that over the last 4 years the number of teenagers with full-time jobs fell by nearly 40 percent and that decline was most severe among 18- and 19-year-old school youths who generally seek full time employment after graduation.

At no time in the last 35 years have more teens been pushed into involuntary part-time employment.

Finally, in examining the overall youth situation, it has to be recognized that teenage job losses were not uniform across all sectors. Teenagers lost more jobs in what we would consider to be the career labor markets of the country. Teenage job losses were extraordinarily high in construction, manufacturing, transportation, finance, insurance, and the public administration.

By 1983, 8 out of every 10 teenagers in the country had to rely upon either the retail trade sector or the private services sector for their jobs. In a sense, not only has youth employment opportunities in the aggregate deteriorated, but the decline in full-time employment has been extraordinarily severe and youths' lack of access to those jobs sectors that provide substantial opportunities for learning on the job and future improvement of earnings was extraordinarily substantial.

In a sense, the evidence on youth labor markets suggests that the proposed legislation is more critical in 1984 than it has been at any time in the last 30 years.

The second issue has to do with the eligibility issue. The proposed legislation would confine eligibility to 16- and 19-year-old economically disadvantaged youth. I believe that the eligibility criteria are too strict and I believe that the income eligibility criteria are too strict for the following reasons.

It is true as I have indicated in my paper that youth from poverty families do far worse in the labor market than youth from all other families in the country. The likelihood of a teenager being employed rises consistently with family income. Those young people that live in poverty families had a probability of being employed in recent years less than one-half of that of families with incomes two or three times the poverty line.

But when one looks at the data in another way, one also observes that those young people that live in families with incomes slightly above the poverty line, only 1½ times the poverty line, for example, also do very poorly in the labor market. There is no major quantum jump in labor market success for young people as we move from poverty to near poverty. Given the difficulties of labor market problems faced by young people from near poor families, I would recommend that the eligibility criteria be expanded to include all young people who live in families with at least the 85 percent, if not 100 percent of the Bureau of Labor Statistics lower living standard income level.

Use of such a standard is not out of line with past practices under the YEDPA legislation, the adoption of an 85-percent standard was used to determine eligibility for participation in youth employment and training programs. Raising income eligibility would raise the pool of eligibles. This is true. I had estimated that in 1982 if we used an income standard of 1⅛ times the poverty line and if young people participated in this program at the same rate that they did under the entitlement on demonstration that we would need jobs for approximately 1.2 million young people in 1982. That number will be less than that today because of the fall of in the school population and also because past experience has shown that minority youth would be more likely to take advantage of the program than white youth.

As we expand the program nationally a program size of less than 1 million would likely be needed to meet the job desires of all young people eligible to participate.

The third issue that I woud like to deal with has to do with the allocation formula. The elements in the proposed allocation formula are very poorly suited for a program focused on jobless economically disadvantaged young people.

I would strongly discourage the use of adult unemployment or excess unemployment as criteria to allocate moneys under the act and I would strongly discourage such use for the following three reasons.

First, we need to understand that unemployed individuals and economically disadvantaged individuals are not the same people. Only one in four unemployed people in this country tend to be classified as disadvantaged and only 67 percent of the disadvantaged get classified as unemployed. So measuring unemployment and measuring disadvantageness are quite different issues.

Second, concentrations of unemployment are not that strongly correlated with concentrations of disadvantage individuals. If we allocate money on unemployment, the funds will not go to those areas with high concentrations of disadvantaged individuals.

Third, all evidence suggests that among economically disadvantaged youth, the problem is not official unemployment as much as it is nonparticipation in the labor force. The vast majority of disadvantaged youth are not counted in the official unemployment statistics. They remain outside the official labor force and ignored in all the official press releases by the Bureau of Labor Statistics. And, in fact, if a young person is attending school, but wants a job, but is not looking, you are not counted as discouraged, but rather as attending school.

So, if we wish to focus on economically disadvantaged youth, we should emphasize one factor in the allocation formula and that factor should be the number of jobless economically disadvantaged youth 16 to 19 years old living in the service delivery area at the time of the 1980 census. The public use statistics and the census are the only substantive source of data we have to measure that problem, but I would recommend that good policy requires that you allocate money on the same basis as you establish participant eligibility criteria.

The adoption of my formula would benefit the following areas substantively.

First, economically depressed cities. Second, rural poverty areas. Third, communities with high concentrations of racial and ethnic minority groups.

A simple example from my own city, the city of Boston suggests that if we looked at the city of Boston's share of all economically disadvantaged teenagers in 1980, their share being the State as a whole rather than the country, the city of Boston would have received 21 percent of all moneys under the program.

If, however, we allocate it on the basis of unemployment, the city of Boston would only receive 11 percent of the funds under the program. So the adoption of my formula rather than that contained in the current legislation would substantially affect allocations and do so in a way that I think is more conducive to the attainment of the objectives of the proposed legislation.

The last point I will make before I turn to Professor Hahn is the proposed legislation recognizes the need for basic skill components in the legislation in the administration of the program and I think that that recognition is extraordinarily praiseworthy.

I would suggest, however, that remediation in basic skills and world of work knowledge should be part of a yearround program, not simply confined to the summer.

Those young people that are deficient in basic skills should be required to participate in remedial programs as part of the criteria for continued participation.

I would also suggest that the program based on past experience provide incentives to individuals who improve their basic skills, who improve their academic performance and who improve their attendance in school and at the jobsite. Rewards from the program in terms of longer hours worked, higher wages, improved job assignments, and bonuses should be part of the program.

The program should not just guarantee jobs, it should improve basic skills and increase likelihood of graduating from high school.

In conclusion, I would simply remark as I suggested in my paper. There is a substantial body of evidence that suggests that education today is more important than it has been in the last three decades in determining labor market success. Basic skills have an independent effect on labor market success and job experience during high schools contrary to conventional wisdom does substantially add to labor market success as young adults. This program is targeted at improving all those aspects of the young individuals who maintain capital capacity that are critical to long-term success in the labor market.

I have brought along and I would like to leave behind for the committee two copies of an additional paper that I prepared in December which address these issues at greater length about what we have learned about the importance of these factors for young persons' success in the labor market. Thank you.

[Prepared statement of Andrew Sum follows:]

Prepared Statement of Andrew Sum, Director, Center for Labor Market Studies, Northeastern University, Boston, MA

INTRODUCTION

The Youth Incentive Employment Act (H.R. 5017) is intended to expand employment opportunities for economically disadvantaged youth 16–19 years of age who simultaneously are enrolled in education and training programs preparing them for future unsubsidized employment. The proposed legislation is designed to combat the persistent problems of joblessness among the nation's economically disadvantaged youth and has many desirable features, including job opportunities directly tied to continuing education and training, continued participation tied to attendance behavior and academic performance, and private sector involvement in the provision of worksites for participants.

This paper is primarily intended to assess the rationale and need for such a youth employment program in 1984, to review existing research findings on the role of formal education, basic skills, and employment experience variables in influencing the success of young people in the labor market in recent years, and to identify areas of program design and administration that would likely strengthen the existing proposed legislation. Further discussions of relevant design and administrative matters will be provided in an accompanying paper prepared by Dr. Andrew Hahn of Brandeis University.

Youth labor market problems: Recent trends and developments

During the past four years, employment opportunities for America's teenagers have deteriorated to a substantial degree. The plight of teenagers has not received adequate attention from either the national media or the policymaking community. High levels and rates of unemployment among adults in recent years have shifted attention away from the employment problems of teenagers, despite the fact that among all demographic subgroups the nation's youth have suffered the sharpest decline in overall employment opportunities, with precipitous drops occurring in full-time employment and in career-oriented jobs in the goods producing sectors of the economy.

During the mid to late 1970's employment opportunities for teens throughout the nation accelerated as a result of both rapid private sector job growth and expanded subsidized employment programs for ecomically disadvantaged youth under the Youth Employment and Demonstration Projects Act of 1977. Between the middle of 1975 and the first quarter of calendar year 1979, total teenage employment increased by 1.14 million, or 16.2%. The proportion of the nation's teenagers actively participating in the civilian labor force rose from 53.5% in the fourth quarter of 1975 to 58.6% in the third quarter of 1978, a gain of 5.1 percentage points in less than three years. The unemployment rate of teenagers also fell continuously throughout this time period. As a result of rising labor force participation and declining rates of unemployment, the share of the nation's teenage population able to secure employment reached a post-World War II high of 49.1% during the first quarter of 1979. Both white and black teenagers substantially improved their employment position over this four year period. Available research evidence suggests, however, that a major portion of the improvement in the emloyment position of minority youths in the latter part of the 1970's was attributable to the unsubsidized jobs made available to them under the various employment programs financed by the YEDPA legislation.[1] [2]

Between 1979 and 1983, the labor market situation of teenagers rapidly deteriorated (See table 1). The labor force participation rate of teenagers fell continously throughout this period, declining by nearly 4.5 percentage points, or 5%, in four years. The decline in teenage labor force activity was undoubtedly influenced by the rapid rise in teenage unemployment rates. Previous research has documented the cyclical sensitivity of youth labor force behavior, with discouragement tendencies prevailing in periods of slack labor demand.[3] The unemployment rate of teenagers rose from 16.1% in 1979 to 23.2% in 1982 and then fell slightly in 1983 to 22.4%. As a result of the decline in participation rates and the sharp rise in unemployment rates, the share of the nation's teenaged population that was employed on average during 1983 was only 41.5%, a decline of 7 percentage points or 14%, in four years. All of the relative employment gains of teenagers in the preceeding 15 years were wiped out during this four year period. The rapid decline in employment opportunities affected each racial/ethnic subgroup of the teenage population; however, the relative size of the declines were greater for Black and Hispanic youth (See Appendix Tables 1 to 3).

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[1] See: Sum, Andrew and Simpson, Paul, The Deteriorating Employment Position of America's Teenagers: Implications for National Youth Employment and Training Policies, Center for Labor Market Studies Northeastern University, Boston, MA, 1983.

[2] See: (i) Ibid and (ii) Taggart, Robert, Youth Jobs Programs: The Critical Need for a Comprehensive Strategy, Remediation and Training Institute, Alexandria, VA, 1983.

[3] See: (i) Levitan, Sar A., "Coping with Teenage Unemployment", The Teenage Unemployment Problem: What Are the Options?, A Report of the Congressional Budget Office, U.S. Government Printing Office, Washington, D.C., 1976, pp. 62–66. (ii) Freeman, Richard B., "Economic Determinants of Geographic and Individual Variation in the Labor Market Position of Young Persons", in The Youth Labor Market Problem: Its Nature, Causes, and Consequences, University of Chicago Press, Chicago, 1982, pp. 115–148. (iii) Smith, Ralph E. and Vanski, Jean E., "The Volatility of the Teenage Labor Market: Labor Force Entry, Exit, and Unemployment Flows", Conference Report on Youth Unemployment: Its Measurement and Meaning, U.S. Government Printing Office, Washington, D.C., 1978, pp. 35–63.

TABLE 1.—RECENT TRENDS IN THE LABOR FORCE STATUS OF ALL TEENS (16 TO 19) IN THE UNITED STATES, 1978–83

[Annual averages, numbers in thousands or percent]

Labor force variable	1978	1979	1980	1981	1982	1983	Absolute change 1979–83
Civilian noninstitutional population	16,695	16,657	16,543	16,214	15,763	15,274	1,383
Relative change (percent)							−8.3
Civilian labor force	9,652	9,638	9,378	8,988	8,526	8,171	−1,467
Relative change (percent)							−15.2
Civilian labor force participation rate (percent)	57.8	57.9	56.7	55.4	54.1	53.5	−4.4
Employed	8,070	3,083	7,710	7,225	6,549	6,342	−1,741
Relative change (percent)							−21.5
Employment/population ratio (percent)	48.3	48.5	46.6	44.6	41.5	41.5	−7.0
Unemployed	1,583	1,555	1,669	1,763	1,976	1,829	274
Relative change (percent)							+17.6
Unemployment rate (percent)	16.4	16.1	17.8	19.6	23.2	22.4	+6.3

Sources: (1) U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics Derived from the Current Population Survey: A Databook, vol. 1, bull. 2096; (2) U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 1983; and (3) U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 1984.

The sharp declines in the labor force participation rates of teenagers took place at a time when the official labor force projections of the Bureau of Labor Statistics were indicating a continued rise in the participation rate of teens throughout the first half of the 1980's (See Table 2). The favorable demographic trends for the teenage population in the 1980's were supposed to facilitate the entry of teens into the nation's labor force and reduce their high absolute and relative rates of unemployment. Clearly, such favorable developments have not occurred. An examination of the data on projected and actual rates of labor force participation for teens during 1983 reveal that the actual rates of participation for teenage men and women were 7 to 8 percentage points, or 11 to 13%, below their projected rates for 1983. Our estimate of the pool of teenagers that were projected to be in the civilian labor force during 1983, but did not participate, is quite large, being equal to 1.1 million teens. These substantial participation rate declines have prevented official teen unemployment rates from rising even further. If the actual civilan labor force participation rate of teens had risen to its projected rate, then the unemployment rate of teens would have been 31.7% during 1983 rather than the estimated rate of 22.4%.[4]

TABLE 2.—COMPARISONS OF PROJECTED AND ACTUAL LABOR FORCE PARTICIPATION RATES FOR MALE AND FEMALE TEENS (16–19) IN UNITED STATES, 1983

[Amounts in percent]

Teen subgroup	Projected (A)	Actual (B)	Actual—projected (C)
Men 16 to 19	63.2	56.2	−7.0
Women 16 to 19	58.4	50.8	−7.6
White 16 to 19:			
Men	67.3	59.4	−7.7
Women	62.2	54.5	−7.7
Black and other 16 to 19:			
Men	42.3	40.9	−1.4

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[4] This estimate was derived by adding the additional number of labor market entrants (1.115 million) to the numerator and denominator of the formula used to estimate the unemployment rate. The assumption underlying this estimate is that the additional entrants would only have increased the size of the available teen labor pool rather than the volume of teen employment. In the short run, with money wages fixed, labor supply does not affect labor demand.

TABLE 2.—COMPARISONS OF PROJECTED AND ACTUAL LABOR FORCE PARTICIPATION RATES FOR MALE AND FEMALE TEENS (16–19) IN UNITED STATES, 1983—Continued

[Amounts in percent]

Teen subgroup	Projected (A)	Actual (B)	Actual—projected (C)
Women	39.9	33.4	−6.5

Note.—Number of teen labor force participants projected, but not materializing in 1983: Men 16 to 19=7.659 * .070=536,130 and Women 16–19=7.616 * .076=578,820 for a total of 1,115,000.

Sources: (1) U.S. Department of Labor, Bureau of Labor Statistics, Economic Projections to 1990, Bull. 2121 and (2) U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 1984.

Indirect evidence suggests that the size of the teenage labor force has been held down to a substantial degree as a result of a decline in available job opportunities. The findings of the 1983 Current Population Survey with respect to job desires of teen non-participants provide further empirical support for the above views. On average during 1983, 1.55 million teens classified as outside of the labor force expressed a desire to be employed on either a part-time or full-time basis.[5] This number was equivalent to nearly 22% of the entire pool of non-participants. Findings of national longitudinal surveys of youth suggest that job desires of non-participants may even be substantially higher than those reported by the CPS survey.[6] Experience with the Entitlement demonstration revealed that the provision of subsidized jobs to low income youth raised the share of employed youth in the eligible population by 60 to 90% in the first year of program operations, with substantial participation by minority youth and those eligible youth without jobs prior to the program.[7] A properly administered and carefully targetted Youth Incentive Employment Act can contribute in a substantive way to raising employment opportunities for teens and reduce existing large disparities between the employment rates of white and minority youth throughout the nation.

In addition to the decline in overall employment opportunities, teens have experienced substantial declines in full-time job opportunities and have been denied access to major segments of the career labor market in the U.S. Between 1979 and 1983, the number of teens employed full-time in the U.S. dropped by 1.41 million or 39% while total full-time employment in the nation was rising by 1.0%. The number of teenagers employed part-time fell by only 3% during the same time period. Depressed labor market conditions throughout the nation, particularly in the goods producing sectors, pushed many teenagers to the back of hiring queues in key employment sectors and confined them increasingly to the part-time labor market. A high fraction of the teens employed part-time, particularly 18–19 year olds, were confined to such jobs involuntarily. During 1983, nearly one-fourth of all teenagers and one-third of all 18–19 year olds employed part-time were working part-time for economic reasons.[8]

During the past few years, teenagers have had to inceaseingly rely on the traditional teenage labor market (retail trade and private services) for the bulk of their jobs. As revealed in Table 4, the loss in teenage employment opportunities during the 1979–83 period was not evenly distributed across all industries. Overall, the number of teens employed in the nonagricultural sector of the economy declined by approximately 23%. The relative size of the job losses of teens were far greater in each goods producing sector (mining, construction, and manufacturing), in transportation and communcations, in finance and insurance, and in pulbic administration. The trade and services sectors, which have traditionally employed the majority of urban youth, provided jobs for nearly 8 of every 10 employed teens during 1983. Access by teenagers to career jobs and internal labor markets providing valuable informal on-the-job training has diminished substantially in the past four years.[9]

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[5] See: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 1984.

[6] During the 1979 interview round of the National Longitudinal Survey, nearly 55% of 14–21 year olds who were not in the labor force and not in school expressed a desire to be employed at the time of the interview. See: Shapiro, David, "Youth Not in School or the Labor Force", Pathways to the Future: A Longitudinal Study of Young Americans, Center for Human Resource Research, The Ohio State University, Columbus, January 1980.

[7] See: (i) Farkas, George, et. al., "Early Impacts from the Youth Entitlement Demonstration: Participation, Work and Schooling, "Manpower Demonstration Research Corporation, New York, 1980 and (ii) Diaz, William A.; Ball, Joseph; Wolfhagen, Carl; et. al., "Linking School and Work for Disadvantaged Youths, The YIEPP Demonstration: Final Implementation Report, "Manpower Demonstration Research Corporation, New York, December 1982.

[8] See: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 1984, table 33, p. 194.

TABLE 3.—PERSONS EMPLOYED FULL TIME AND PART TIME BY AGE AND SEX, 1979 AND 1983

[Annual averages, numbers in thousands]

	1979	1983	Absolute change	Percent change
Full time:				
Total (16+)	79,624	80,395	+771	+1.0
Males (20+)	48,469	48,167	−302	−.6
Females (20+)	27,495	29,978	+2,483	+9.0
Both sexes (16–19)	3,660	2,250	−1,410	−38.5
Part time:				
Total (16+)	17,321	20,408	+3,087	+17.8
Males (20+)	3,794	5,341	+1,547	+40.8
Females (20+)	9,674	10,881	+1,207	+12.5
Both sexes (16–19)	4,323	4,187	−136	−3.2

Sources: (1) U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 1980 and (2) U.S. Department of Labor, [illegible]au of Labor Statistics, Employment and Earnings, January 1984.

TABLE 4.—EMPLOYED CIVILIANS (16 TO 19) IN NONAGRICULTURAL INDUSTRIES IN THE UNITED STATES, 1979–83

[Numbers in thousands or percent]

	1979	1983	Absolute change	Percent change
Total	7,340	5,682	−1,658	−22.6
Mining	35	13	−22	−62.9
Construction	472	269	−203	−43.0
Manufacturing	1,107	560	−547	−49.4
Durable goods	619	253	−366	−59.2
Nondurable goods	487	307	−180	−37.0
Transportation, communications and public utilities	199	116	−83	−41.7
Wholesale and retail trade	3,443	3,027	−416	−12.1
Finance, insurance and real estate	312	204	−108	−34.6
Services	1,620	1,404	−216	−13.3
Public administration	152	89	−63	−41.4

Sources: (1) U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 1980 and (2) U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 1984.

The above finding on recent trends in youth employment have revealed a rather dramatic deterioration in labor market conditions for teenagers in recent years. Falling labor force participation rates and rising unemployment rates have sharply reduced the share of teenagers with jobs. In relative terms, minority youth suffered the greatest declines, with the employment/population ratio of black teens falling to a new post-World War II low of 18% in 1983. Full-time employment opportunities and access to career labor markets have declined even more rapidly. The need for a major new national initiative to enhance employment prospects for teenagers is evident at this point in time. Given the overall youth employment problem, let us now turn to an examination of the employment problems of low income teenagers and their implications for eligibility criteria and the allocation of monies among Service Delivery Areas.

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[9] Youg non-enrolled male and female workers employed in the goods producing sectors and in transportation industries tend to earn significantly higher hourly wages than workers with similar characteristics employed in retail trade. For young males the wage effects are quite large, ranging in size from 12 to 40%. See: Shapiro, David, "Youth Employment Conditions and the Wage Structure in the Youth Labor Market", Pathways to the Future: A Report on the National Longitudinal Survey of Youth Labor Market Experience in 1979, (Ed. Michael E. Borus), Center for Human Resources Research, The Ohio State University, Columbus, 1980.

Employment problems of low income youth: Implications for participant eligibility criteria

The provisions on participant eligibility criteria contained in the current bill limit eligibility to youth 16–19 years of age who live in economically disadvantaged households. The proposed income eligibility criteria are in close accord with those currently prevailing in the JTPA legislation although they are somewhat more restrictive than those used in administering many of the youth employment and training programs funded under YEDPA.[10]

The determination of appropriate income eligibility criteria should be based in part upon knowledge of the labor market problems of youth in various family income categories. To assess this issue in an objective manner, we have generated estimates of the labor force and employment status of 16–19 year old high school students and dropouts in the U.S. during March of 1981. Data are reported by size of family income, with income categories ranging from below the OMB poverty line to three or more times the poverty line. The estimates are presented in Tables 5 and 6. More detailed findings on these youths' labor force and employment behavior during calendar year 1980 are presented in Appendix Tables 7 and 8.

TABLE 5.—LABOR FORCE STATUS OF 16- TO 19-YEAR-OLD HIGH SCHOOL STUDENTS IN THE UNITED STATES, BY SIZE OF FAMILY INCOME RELATIVE TO OMB POVERTY LINE—MARCH 1981

[Amounts in percent]

Labor force measure	Less than Poverty line (A)	1.00–1.49ª poverty line (B)	1.50–1.99ª poverty line (C)	2.00–2.99ª poverty line (D)	3.00 + poverty line (E)
Civilian labor force participation rate	22.2	27.8	30.5	39.2	45.3
Unemployment rate	36.5	35.6	24.9	23.7	20.1
Employment/population ratio	14.1	17.9	22.9	29.9	35.1

Source: Center for Labor Market Studies, Northeastern University, "Computer Analysis of March 1981 CPS Public Use Tapes."

TABLE 6.—LABOR FORCE STATUS OF 16- TO 19-YEAR-OLD HIGH SCHOOL DROPOUTS IN THE UNITED STATES, BY SIZE OF FAMILY INCOME RELATIVE TO OMB POVERTY LINE—MARCH 1981

[Amounts in percent]

Labor force measure	Less than poverty line (A)	1.00–1.49ª poverty line (B)	1.50–1.99ª poverty line (C)	2.00–2.99ª poverty line (D)	3.00 + poverty line (E)
Civilian labor force participation rate	54.0	58.8	66.3	77.8	84.3
Unemployment rate	46.3	26.7	23.2	17.9	16.3
Employment/population ratio	29.0	43.1	50.9	63.9	70.6

Source: Same as table 5.

The findings presented in Table 5 illustrate quite clearly that participation rates of high school students during March of 1981 were strongly associated with family income. Only 22% of 16–19 year old high school students living in poverty families were actively participating in the civilian labor force during March of 1981. This participation rate was only 56% as high as that of high school students living in families with incomes between 2 and 3* the OMB poverty line and less than half that of high school studens living in families with incomes 3 or more times that of the official OMB poverty line.

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[10] See: (i) 97th U.S. Congress, Job Training Partnership Act of 1982 and (ii) 95th U.S. Congress, Public Law 95–93: Youth Employment and Demonstration Projects Act of 1977.

Unemployment rates of 16–19 year old high school students are also strongly associated with family income. High school students living in poverty families were characterized by an unemployment rate of 36.5% in March 1981. This unemployment rate was 1.54* as high as that of high school students living in families with incomes between 2 and 3* the poverty line and 1.8* as high as that of high school students living in families with incomes 3 or more times the OMB poverty line. As a result of their below average participation rates and their above average unemployment rates, high school youth in poverty families had a probability of being employed less than one-half as large as that of their counterparts in families with incomes two or more times the poverty line. Only one in seven poor high school students 16–19 years of age were employed in March of 1981. Similar findings hold true for high school dropouts. As the data in Table 6 reveal, only 29% of the high school dropouts 16–19 years old living in a poverty family were employed during March 1981. This employment ratio was only 40 to 45% as high as that of high school dropouts living in families with incomes 2 or more times the OMB poverty line.

Targetting the Youth Incentive Employment Act's services heavily on poor youth appears to be substantially justified based on the findings presented in Tables 5 and 6. However, many high school youth living in families with incomes between 1 and 1.5* the poverty line also encounter severe difficulties in securing employment. For example, the employment/population ratio for high school students living in families with incomes between 1 and 1.5* the poverty line was only 18% in March of 1981, only 4 percentage points above that of poor high school students.

The family income equivalent to 1.5* the OMB poverty line for a nonfarm family of 4 in the continental U.S. in February 1980 was $11,175. This income level was equivalent to approximately 87% of the lower living standard income level for families of 4 in most metropolitan areas of New England and 93% of the lower living standard income level for families of 4 in most metropolitan areas of the South.[11] Raising the income eligibility criteria from 70% of the Lower Living Standard Income Level to 85–100% of the LLSIL would seem appropriate. A standard of 85% of the LLSIL was used to determine eligibility of applicants in several of the youth programs operating under YEDPA. A rise in the income threshold for determining participant eligibility will increase the pool of potential eligibles. Our analysis of the March 1981 CPS data for the nation suggests that raising the income threshold from 100% of the OMB poverty line to 150% of the poverty line would increase the pool of eligible high school students by 67% and the pool of eligible high school dropouts by approximately 44%. During the full period of the Entitlement demonstration, the participation rate for eligible in-school youth was 64% and that for out-of-school youth was 25%.[12] If these same participation rates prevailed nationally under the Youth Incentive Employment Act, then our estimates indicate that 1.2 million youth 16–19 years old (high school students and droputs) would have been eligible during 1981 if income criteria were set at 150% of the OMB poverty line.[13]

Allocation formulas

The existing bill proposes an allocation formula that provides equal weights to three separate criteria: relative number of econmically disadvantaged youth, relative number of unemployed, and relative number of excess unemployed. We believe that the existing allocation formula should be revised in a number of important respects to enable it to contribute to the basic goals and objectives of the legislation. An alternative formula based solely on the local delivery area's number of non-employed, income eligible youth who were either attending high school or had dropped out of high school at the time of the 1980 Census should be used. We believe this formula to be far more appropriate for the following reasons:

(i) Unemployed and economically disadvantaged populations are quite distinct. For example, in March 1981, only 24% of the unemployed (16+) in the U.S. lived in economically disadvantaged households.[14] At the same time, only 7.0% of the economically disadvantaged (16+) were classified as unemployed by the CPS survey. Allocating funds on the basis of unemployment will lead to a substantially different allocation of monies than use of a formula based solely on economically disadvantaged individuals;

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[11] Sources of data on OMB poverty levels and Lower Living Standard Income Levels were derived from the following publication: "Poverty Income Level Charts—Effective Spring 1980", Employment and Training Reporter, June 25, 1980.

[12] See: Diaz, William A.; Ball, Joseph; and Wolfhagen, Carl, op.cit., pp. 40–41.

[13] A national participation rate would likely be less than that prevailing under the Entitlement demonstration since it was focused on areas containing above average shares of black youth. Eligible black youth were more likely than white youth to participate in the Entitlement program, and once enrolled they tended to participate for longer periods of time.

[14] See: Cohen, Malcolm, S., 1980 CETA Eligibility Estimates, Institute of Labor and Industrial Relations, University of Michigan-Wayne State University, 1981.

(ii) A program designed to serve jobless disadvantaged youths should target more of its resources upon those communities containing the largest concentrations of jobless disadvantaged youth. Adult unemployment is not a good proxy for poor youth unemployment and most of the employment problems of disadvantaged youth are related to nonparticipation in the labor force rather than to officially measured unemployment. Good policy requires allocation formulas focused directly upon the problem at hand. Allocating funds on the basis of relative shares of jobless disadvantaged youth makes most sense. Such an allocation formula would also provide greater financial assistance to depressed central cities, poor rural areas, and communities with large racial/ethnic minority populations.[15]

Formal education, basic skills, and the employability of youth

The proposed legislation conditions the receipt of a subsidized job under the program upon the participant's enrollment in a secondary school or training program leading to a high school diploma or its equivalent. This feature of the program is a critical one. The lack of a high school diploma has become increasingly associated with labor market adjustment problems for youths in all race and sex subgroups. Employment and earnings differences between young high school graduates and dropouts have been widening over time.[16] National findings of October CPS surveys on the labor force status of recent high school graduates and dropouts during the 1960–82 period reveal that the relative labor market position of high school dropouts in the early period following their school leaving has deteriorated sharply since the late 1960's (See Table 7). During the 1965–69 period, those high school graduates not enrolled in school in the fall following graduation were 30% more likely to be employed than those young poeple who dropped out of school in the same year. By the early 1980's, this gap had doubled. Recent high school graduates were now 61% more likely than dropouts to be employed in the early school leaving period.

TABLE 7.—EMPLOYMENT/POPULATION RATIOS OF RECENT HIGH SCHOOL GRADUATES, NOT ENROLLED IN COLLEGE, AND HIGH SCHOOL DROPOUTS, AS OF OCTOBER OF YEAR OF GRADUATION OR OF DROPPINGOUT

[Amounts in percent]

Subgroup	1960–64 (1)	1965–69 (2)	1970–74 (3)	1975–79 (4)	1980–82 (5)
All high school graduates, not enrolled	5.3	68.1	67.6	70.6	65.1
All high school dropouts	45.5	52.5	47.5	46.7	40.3
Graduates/dropouts	143.5	129.7	142.3	151.2	161.6
Black high school graduates, not enrolled	53.8	52.7	47.4	42.4	31.9
Black high school dropouts	49.6	48.2	36.3	28.4	16.4
Black graduates/black dropouts	108.5	109.3	130.6	149.3	194.5

Source: (1) U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics Derived from the Current Population Survey: A Databook, Vol. I, September 1982 and (2) U.S. Department of Labor, Bureau of Labor Statistics, Student Labor Force Continues to Decline, April 1983.

Black high school dropouts have experienced an even more dramatic deterioration in their labor market position over time. Between 1960–64 and 1980–82, the employment/population ratio of recent black high school dropouts fell by two-thirds from 49.6% to 16.4%. During the first few years of the 1980's, only 1 out of 6 black high school dropouts were able to secure employment by October of the year following their leaving school.

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[15] Blacks and Hispanics account for larger shares of the disadvantaged population than the unemployed population. In 1981, blacks and Hispanics (16+) represented 35% of the economically disadvantaged population, but only 25% of the unemployed population. See: (i) Cohen, Malcom S., op. cit.

[16] Sum, Andrew; Harrington, Paul; and Simpson, Paul; Educational Attainment, Academic Ability, and the Employability and Earnings of Young Persons: Implications for the Planning and Design of JTPA Youth Programs, Paper Presented to a Symposium on Serving Disadvantaged School Dropouts, Brandeis University, December 1983.

Formal educational attainment also exerts a substantive impact upon the employability and earnings of economically disadvantaged young people. A recent review by the author of findings from a range of youth employment and training programs, including the Job Corps, the Supported Work Program for Young Dropouts, and the Youth Incentive Entitlement Program, revealed that increased educational attainment does generate favorable employment and earnings outcomes for most major subgroups of the economically disadvantaged population.[17] One of the major objectives of the proposed legislation should be that of increasing the likelihood that economically disadvantaged youth will complete high school or obtain a GED. Findings from the Entitlement demonstration suggest that participation in such programs significantly raises post-program earnings only if the participant completes high school.[18] The reporting requirements section of the current bill should be modified to require annual reporting of the number of participants who graduate from high school, attain a GED, and drop out of high school. Selected evaluations of the educational impacts of these programs should be funded under the Act.

The bill also mandates participants to adhere to locally established attendance and performance standards in the education program and at their worksites to remain eligible for continued participation. This feature of the program is also an extremely desirable one. Recent evidence from a number of national studies of youth labor market experiences indicate that high school graduates (not going on to college) who achieve higher scores on standard achievement tests and who receive higher grades in the last few years of high school achieve superior employment and earnings records as young adults.[19] These relationships appear to hold up for the first seven years following graduation from high school, and they exist for men and women and for whites and blacks.[20] Formal efforts to improve the basic reading, math, writing, and world of work knowledges and skills of participants should be a fundamental part of the Youth Incentive Employment program. Continued participation in such programs should be predicated in part upon progress in improving basic skills. Remediation efforts should be year-round in nature not confined simply to the summer months.[21] Those participants who achieve greater gains in basic skills, world of work knowledges, and attendance rates should be rewarded with options for longer hours of work, higher rates of pay, and assignment to higher quality jobs. While adherence to minimum academic performance and attendance standards was built into the past Entitlement demonstration, participants did not have to achieve gains in basic skills or grades to remain employed nor were they rewarded for exemplary performance.[22] [23] [24] Greater personal incentives for academic and job performance should be built into the proposed legislation.

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[17] Ibid., pp. 20–24.

[18] See: Farkas, George, et al., Final Program Impacts of the Youth Incentive Entitlement Pilot Projects, Abt Associates, Cambridge, Mass., September 1983.

[19] For a review of such studies—See: Sum, Andrew; Harrington, Paul; and Simpson, Paul; op.cit., pp. 24–29.

[20] See: (i) Meyer, Robert H., "Training in the Schools", in Job Training for Youth and (ii) Meyer, Robert H. and Wise, David A., The transition from School to Work: The Experience of Blacks and Whites, Working Paper No. 1007, National Bureau of Economic Research, Cambridge, 1982.

[21] For a summary of other views on the role of remediation in youth programs, including the Summer Youth Employment Program—See: (i) Berlin, Gordon, Remedial Education and Work experience for Disadvantaged Youth: Proposal for a Redesign of the Summer Youth Employment Program, Ford Foundation, 1983 and (ii) National Council on Employment Policy, Back to Basics Under JTPA, Washington, D.C., 1983.

[22] See: Diaz, William A.; Ball, Joseph; and Wolfhagen, Carl, op.cit., pp. 125–147.

[23] For a summary of such evidence, See: (i) Freeman, Richard B. and Wise, David A., (Editors), The Youth Labor Market Problem: Its Nature, Causes and Consequences, University of Chicago Press, Chicago, 1982. (ii) Sum, Andrew, Basic Research on Youth Employment Problem, An Overview of Youth Knowledge Development Efforts Under YEDPA, Prepared for Office of Youth Programs, U.S. Department of Labor, Washington, D.C., March 1981. (iii) Taggart, Robert, "The Youth Employment Problem: A Sequential and Development Perspective", in A Review of Youth Employment Problerms, Programs and Policies, Volume 1, The Vice President's Task Force on Youth Employment, Washington, D.C., 1980. (iv) U.S. Department of Labor, Employment and Training Administration, Conference Report on Youth Unemployment: Its Measurement and Meaning, U.S. Government Printing Office. Washington, D.C., 1978.

[24] See: (i) Herrnstadt, Irwin; Horowitz, Morris, and Sum, Andrew, The Transition from School to Work: The Contribution of Cooperation Education Programs at the Secondary Level, A Report submitted to the Office of Research and Development, Employment and Training Administration U.S. Department of Labor, Washington, D.C., 1979. (ii) Sum, Andrew, Initial Employment and Earnings Impacts of JAG Programs Operating During the 1981–82 School Year, Report Prepared for Jobs for America's Graduates Washington, D.C., August 1983. (iii) Stephenson, Stanley P., "The Transition from School to Work with Job Search Implications", in Conference Report on Youth Unemployment: Its Measurement and Meaning, pp. 65–85.

In-school employment experience and future labor market success

The Youth Incentive Employment Act will provide part-time employment opportunities to eligible participants during the school year and either full-time employment or a combination of employment and remediation/training during the summer months. Expanding in-school employment opportunities for economically disadvantaged youths should be viewed as an important investment in these young people not simply as a temporary job creation measure. A growing body of literature on youth labor market behavior suggests that employment during the high school years has a number of favorable short-run and longterm effects on the employability and earnings of youths. As noted in our previous discussion, economically disadvantaged high school students tend to work less often and for shorter periods of time during the school year than their counterparts from higher income families. Economically disadvantaged youth, thus, tend to enter the labor market as young adults with less human capital in the form of general and specific work experience.

Available research findings on youth labor market behavior indicate that non-college bound youth who participate more actively in the labor force during their high school years tend to experience a smoother transition into the labor force in the first year following graduation from high school. Those students who spent more weeks in the labor force during their junior and senior years of high school tended to participate more frequently and intensively in the labor force and encounter unemployment less frequently in the first year following graduation from high school.

Being employed more frequently during high school also favorably impacts the amount of employment obtained by young persons after high school.[25] Recent evidence from longitudinal research suggests that these in-school employment impacts persist for fairly long periods of time, raising future employability for the first 4 to 7 years following graduation from high school. The size of these impacts tend to vary somewhat by intensity of employment during high school, being larger for those youths working more than 10 hours per week. These positive employment impacts have been found to exist for men and for women and for blacks as well as whites.[26] The in-school employment experiences of youths also tend to contribute favorably to their hourly and weekly wages in the first few years following graduation from high school.[27] Youth who work more frequently and/or intensively during high school tend to earn higher hourly or weekly wages in their early adult years.

Use of private for profit worksites

The Act also allows funds to be used to pay private for-profit employers for wages and benfits of eligible participants, with certain restrictions. The use of private for-profit worksites offers a number of potential advantages for the program. Past experience under the Entitlement demonstration with the use of private for-profit worksites revealed that these sites tended to be given somewhat higher quality ratings by independent assessors than worksites in the public an private non-profit sectors.[28] Research under the Entitlement demonstration also indicated that participants placed in private for-profit worksites tended to value their work experiences more highly than their counterpart placed in nonprofit and public sector worksites.[29] Finally, experience with the use of private, for-profit worksites under the Public versus Private Sector Jobs Demonstration Project revealed that program completers who were initially placed in for-profit worksites tended to be employed in unsubsidized jobs and to obtain full-time employment more frequently in the post-program period than their counterparts who were placed in public and nonprofit worksites.[30]

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[25] See: (i) Herrnstadt, Irwin; Horowitz, Morris A.; and Sum, Andrew; op. cit.; pp. 335–338. (ii) Sum, Andrew, Initial Employment and Earnings Impacts * * * (iii) Meyer, Robert H. and Wise, David A., "High School Preparation and Early Labor Force Experience", in The Youth Labor Market Problem: Its Nature, Causes and Consequences, pp. 277–347. (iv) Meyer, Robert H., and Wise, David A., The Transition from School to Work: The Experiences of Blacks and Whites, National Bureau of Economic Research, Working Paper No. 1007, Cambridge, Mass., October 1982; (v) Meyer, Robert H., "Job Training in the Schools", in Job Training for Youth, (Ed.: Robert E. Taylor, Howard Rosen, and Frank C. Pratzner), The National Center for Research in Vocational Education, The Ohio State University, Columbus, 1982. (vi) Pollard, Tom, "Changes Over the 1970's in the Employment Patterns of Black and White Young Men", Pathways to the Future, Vol. II, A Final Report on the National Longitudinal Surveys of Youth, 1980, Ohio State University, Center for Human Resource Research, Columbus, 1983. (vii) Stevenson, Wayne, "The Relationship Between Early Work Experience and Future Employability", in The Lingering Crisis of Youth Unemployment, W.E. Upjohn Institute for Employment Research, Kalamazoo, 1978.

[26] See: (i) Meyer, Robert H., "Job Training in the Schools" and (ii) Meyer, Robert H. and Wise, David A., The Transition from School to Work: The Experiences of Blacks and Whites

[27] See: (i) Herrnstadt, Irwin L.; Horowitz, Morris A., and Sum, Andrew M., op. cit. (ii) Stephenson, Stanley P., "The Transition from School to Work with Job Search Implications", Conference Report on Youth Unemployment: Its Measurement and Meaning, pp. 65–85. (iii) Ellwood, David T., "Teenage Unemployment: Premanent Scars or Temporary Blemishes", in The Youth Labor Market Problem: Its Nature, Causes, and Consequences, pp. 349–385. (iv) Meyer, Robert H., "Job Training in the School."

[28] See: Ball, Joseph; Wolfhagen, Carl; et. al., The Participation of Private Businesses as Work Sponsors in the Youth Entitlement Demonstration, Manpower Demonstration Research Corporation, New York City, March 1981.

The wage subsidy scheme underlying the proposed legislation can seemingly be improved in a number of key respects to reduce overall costs and improve long-term performance. Costs of the program in any service delivery area will be influenced by the number of participants, average hours of participation, and the hourly wage and fringe benefit costs. The sponsors of the current bill should consider placing maximum limits on the length of time that a participant can be employed in a subsidized position, particularly in the private sector. Experience under the Public Versus Private Sector Jobs Demonstration Program indicated that employers of out-of-school youth involved with the program typically believed that 3 months was sufficiently long to assess a participant's suitability as an unsubsidized employee.[31] This demonstration provided full-time job opportunities to participants; thus, employers of participants working part-time under the current Act can be expected to require a greater period of observation before making a hiring decision. A six month period of 100% subsidy for part-time work seems reasonable; however, a maximum length of stay should be established (12 months) with the subsidy falling to 50% or below at the end of the period rather than the 75% figure appearing in the bill.

In the absence of limitations on length of stay, cost per participant will rise, and the potential for displacement will increase, thereby further increasing the cost per net job created.[32] Incentives for hiring and retaining participants in unsubsidized jobs should also be built into the program. Sponsors who employ participants in unsubsidized positions either prior to or immediately after the termination of the subsidy should be given first priority in the assignment of future participants to worksites. Small firms that provide solid training to participants, but are not expanding their payroll, could be adversely affected by such provisions if they are not administered flexibly. Incentives for their continued participation in the program could be readily built into the program through performance measure provisions that allow subsidized slots in small private firms to be refilled if the previous occupants were placed in an unsubsidized job in another firm that was related to the position for which he was trained during the period of subsidized employment. Such provisions would encourage the development of worksites in those small businesses that provide high quality training to participants in occupational areas in demand in the local labor market, thus facilitating the transition of participants to the unsubsidized labor market upon graduation.

APPENDIX

TABLE 1.—RECENT TRENDS IN THE LABOR FORCE STATUS OF WHITE TEENS (16 TO 19) IN THE UNITED STATES, 1978–83

[Annual averages, numbers in thousands or percent]

Labor force varible	1978	1979	1980	1981	1982	1983	Absolute change 1978–83
Civilian Noninstutional Population	14,060	13,994	13,854	13,518	13,075	12,623	−1,437
Relative change (percent)							(−10.2)
Civilian labor force	8,555	8,548	8,312	7,962	7,518	7,186	(−1,369)
Ralative change (percent)							(−16.0)
Civilian labor force participation rate (percent)	60.8	61.1	60.0	58.9	57.5	56.9	−3.9

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[29] Ibid, pp. 70–71.

[30] See: (i) Gilsinan, James F. and Tomey, E. Allan, Public Versus Private Sector Jobs Demonstration Project: An Analysis of In-Program Effects and Outcomes, Report Submitted to Office of Youth Programs, U.S. Department of Labor, November 1980 and (ii) Gilsinan, James F. and Tomey, E. Allen, Public Versus Private Sector Jobs Demonstration Program: Final Report, Submitted to Office of Youth Programs, U.S. Department of Labor, December 1981.

[31] Gilsinan, James F. and Tomey, E. Allan, Public Versus Private Sector . . ., pp. 92–93. The authors noted that "interview" data suggested that three months was a sufficient length of time for employers to assess a youth's potential as an unsubsidized, full-time employee.

[32] Research under the Entitlement demonstration revealed that higher quality worksites offering more structured and productive work assignments to participants were more likely to be characterized by displacement. As participants become more proficient in performing their tasks, the greater the likelihood that they will be performing a job that would have been filled by another employee. See: Ball, Joseph and Wolfhagen, Carl, op. cit., pp. 73–78.

TABLE 1.—RECENT TRENDS IN THE LABOR FORCE STATUS OF WHITE TEENS (16 TO 19) IN THE UNITED STATES, 1978–83—Continued

[Annual averages, numbers in thousands or percent]

Labor force varible	1978	1979	1980	1981	1982	1983	Absolute change 1978–83
Employed	7,367	7,356	7,021	6,588	5,984	5,799	−1,568
Relative change (percent)							(−21.3)
Employment/population ratio (percent)	52.4	52.6	50.7	48.7	45.8	45.9	−6.5
Unemployed	1,189	1,193	1,291	1,374	1,534	1,387	198
Relative change (percent)							(5.4)
Unemployment rate (percent)	13.9	14.0	15.5	17.3	20.4	19.3	5.4

Sources: (1) U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics Derived from the Current Population Survey: A Databook, Vol. 1, bull. 2096; (2) U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 1984; and (3) U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, January 1984.

TABLE 2.—RECENT TRENDS IN THE LABOR FORCE STATUS OF BLACK TEENS (16–19) IN THE UNITED STATES, 1978–83

[Annual Averages, numbers in thousands or percent]

Labor force varible	1978	1979	1980	1981	1982	1983	Absolute change 1978–83
Civilian noninstitutional population	2,270	2,,276	2,289	2,288	2,252	2,225	−45
Relative change (percent)							(−2.0)
Civilian labor force	930	912	891	862	824	809	−121
Relative change (percent)							(−13.0)
Civilian labor force participation rate	41.0	40.1	38.9	37.7	36.6	36.4	−4.6
Employed	571	579	547	505	428	416	−155
Relative change (percent)							(−27.1)
Employment/population ratio (percent)	25.2	25.4	23.9	22.1	19.0	18.7	−6.5
Unemployed	360	333	343	357	396	392	32
Relative change (percent)							(8.9)
Unemployment rate (percent)	38.7	36.5	38.5	41.4	48.1	48.5	9.8

TABLE 3.—LABOR FORCE STATUS OF HISPANIC TEENS (16 TO 19) IN THE UNITED STATES, 1979–83

[Amounts in percent]

Labor force measure	1979 (A)	1983 (B)	Change 1979–83 (C)
Civilian labor force participation rate	50.4	45.3	−5.1
Unemployment rate	19.1	28.4	+9.3
Employment/population ratio	40.8	32.4	−8.4

TABLE 4.—LABOR FORCE STATUS OF TEENS (16 TO 19) IN THE UNITED STATES, 1979 I to 1984 I

[Amounts in percent]

Labor force measure	1979 I (A)	1984 I (B)	Absolute change 1979–84 (C)	Relative change 1979–84 (D)
Civilian labor force participation rate	58.4	53.7	−4.7	−8.0
Unemployment rate	16.0	19.6	+3.6	+22.5
Employment/population ratio	49.1	43.2	−5.9	−12.0

Sources: (1) U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics Derived from the Current Population Survey: A Databook, vol. 1, bull. 2096 and (2) U.S. Department of Labor, Bureau of Labor Statistics, The Employment Situation: March 1984.

TABLE 5.—LABOR FORCE STATUS OF WHITE AND BLACK TEENS (16 TO 19) in the United States, 1984 I—SEASONALLY ADJUSTED

[Amounts in percent]

Labor force measure	1984 I whites (A)	1984 I blacks (B)
Civilian labor force participation rate	57.6	35.7
Unemployment rate	16.0	46.0
Employment/population ratio	48.0	19.2

Source: (1) U.S. Department of Labor, Bureau of Labor Statistics, The Employment Situation: March 1984.

TABLE 6.—LABOR FORCE STATUS OF WHITE, BLACK, HISPANIC TEENS (16 TO 19) IN THE UNITED STATES, 1984 I—NOT SEASONALLY ADJUSTED

[Amounts in percent]

Labor force measure	1984 I whites (A)	1984 I blacks (B)	1984 I Hispanics (C)
Civilian labor force participation rate	52.2	30.2	44.3
Unemployment rate	13.1	44.9	26.0
Employment/population ratio	42.7	16.6	32.8

Sources: (1) U.S. Department of Labor, Bureau of Labor Statistics, The Employment Situation, March 1984 and (2) Unpublished data from the March 1984 CPS survey provided by the New England Regional Office of the Bureau of Labor Statistics.

Mr. HAWKINS. Thank you, Dr. Sum. Dr. Hahn, I will skip the introductory comments. Please proceed.

STATEMENT OF ANDREW B. HAHN, ASSISTANT DEAN, BRANDEIS UNIVERSITY

Mr. HAHN. Let me begin by saying that I am particularly pleased to testify on this bill because it builds so directly on past experiences in youth programs. We are often admonished not to reinvent the wheel in youth employment programs in the United States and what I particularly like about this is that it is based on proven research results as well as a lot of common sense.

I want to do three things ever so briefly and it is covered more fully in the written comments.

One, I want to just quickly highlight what we know about the nature of the youth unemployment problem without repeating the details of Dr. Sum.

Two, I want to talk about some lessons from program experiences based on proven research results. Our group at Brandeis just completed a massive review of what we learned from CETA youth programs and, three, I want to express some comments much as Dr. Sum did with respect to the legislation, but make no mistake about my views, Mr. Chairman, I like this bill and I think it is the only piece of legislation that combines work and education that reintroduces the notion of public jobs that build on known principles of youth programming, school conditions and work experience. And I would just like to point out that the public discrediting of CETA is so thorough that we would often forget that many of the lessons that people giving testimony today draw on, come from that CETA youth employment investment.

So, what do we know about the problem. It has gotten steadily worse. I won't go through a lot of statistics and numbers with you this early in the morning. Suffice it to say that black teenagers are the only group in the springtime that can't celebrate a noticeable improvement in their unemployment rates. As Dr. Sum said, now, legislation is needed more than ever. The other notion is that some groups are affected more than others. All of the basic research conducted at the national bureau of economics in Brandeis agrees that it is concentrated among a few youth who suffer multiple problems and that is why the targeting provisions that Andy Sum spoke to are so important.

General economic recovery will not help those most affected; we know that from the current situation.

The reduction in the baby boom will help, but for the groups of young people most at risk in this country, the demographics, the reduction in the baby boom generation will not help them. The lack of basic educational skills is something that Andy Sums, testimony covers in great detail. I won't repeat that. Then there is a notion of functional competence. You keep hearing the statistic that 13 percent of 17-year-olds are functionally illiterate and the number grows to 4 percent and 56 percent among minorities. Sometimes we are numbered by the numbers. What does that mean? It means that students would answer incorrectly the question which door would you go to to find lunch after being shown four pictures of doors showing the cafeteria, the library, the nurse and the principal. So we need functional competencies improved in this Nation as well.

Does anything work? What do we know from experience. Work experience programs. Work experience programs have been a mainstay of the employment training system and yet under JTPA public sector year round work experience has been nearly abolished and yet, as Sum says, public sector work experience provides a first case for many youngsters of service work and most of the teenagers are entering service trades. The policy in JTPA seems shortsighted and this legislation fills a very important gap.

Poor work experience in and of itself we know from countless demonstrations is not enough. Under CETA a no-frills work experience was often supplemented by basic skills remediation, by preemployment skills into the work, by other kinds of enrichments to support services. The research is unequivocably clear in this. From my demonstrations, it is covered in a 600-page report that we just completed about 6 months ago. Enrichments and school experiences are tried, you get a bigger bang for your buck and this legislation builds nicely on that research basis.

Barbara Blum will testify on the entitlement demonstration. I want to highlight a couple of findings that bear directly on this legislation. Can work strategies attract dropouts back to school and keep youth in school? The guaranteed program that was school conditioned under entitlement did, in fact, attract a number of dropouts back to school.

In 1 year the rate improved by 55 percent and in another year by 10 percent. Interestingly enough it attracted the most disadvantaged dropouts, those who had an immediate preprogram record of unemployment and such programs have now been replicated in the Boston compact and in the other communities across the country.

Can work experience programs add to the employment of disadvantaged youngsters? Again the research is completely clear about this. During the in-program period, a program like the Summer Youth Employment Program is critical and this legislation ties into the Summer Jobs Program for minority youth. Also, for the entitlement program I think it raised the employment opportunities during the program period of 35 percent for minority youth, but most importantly as economists and policymakers we want to know what happens after the programs and we know that the kinds of work experiences that this legislation would create do lead to positive benefits in the postprogram period. Summer jobs lead to more youngsters returning to school in the fall, slightly, not an overwhelming amount. Enriched work experience programs combined with experiences such as this legislation would provide lead to important post program effects.

A couple of other things I want to touch briefly. In a sense this is a job creation bill. How effective is job creation? I can't go through the details in this testimony, but we find that targeted job creation such as this bill would provide in both the public and the private sector is over 50 times more effective than just the hoping that general economic recovery will bring minority and disadvantaged teenagers along in its wake.

What about wage subsidies such as this legislation would provide. I have two brief comments about that. No. 1, this is critically important because it is filling the void for the many employers who are not taking advantage of TJTC and OJT opportunities. And so payrolling employers with wage subsidies is an important compensatory policy because other policies have not illicited widespread support among the employer community.

No. 2, we know again fairly sound research or most sound research that employees respond to a wage subsidy when it is tied to a program such as this one, when it is tied to a training program of some sort.

I won't talk about the minimum wage today, but there are a few comments in the written testimony.

Finally, much like Dr. Sum, I want to conclude with a few comments about the actual bill although I support it overwhelmingly. Targetting. I believe the bill should be targetted not only to areas of individuals of need, but to areas of geographic need. I guess this is my version of what Andy Sum has proposed as well. I don't feel there are enough dollars to be distributed meaningfully to every SDA in the country.

Second, I would like to see the legislation include stronger language that scrutinizes the SDA's ability to attract dropouts back to the program, that looks at their proven outreach techniques and that serves dropouts, at least the 90 percent of their eligible population.

A couple of other comments. Will dropouts return to school given this legislation? Yes, and Barbara Blum will talk about that. Will dropouts finish high school once attracted back and given the part-time job? Basically based on the results many dropouts did not subsequently complete schools. They were double dropouts in effect.

One thing you could do to build on this experience which was Congress's intent in 1977 when it funded entitlement is to somehow get around this 15-percent cap so that if we are to take remedial education seriously in this country and if we are to be excited about computer assisted instruction and all those other technologies that we pioneered under job corps programs and so on and it is going to cost more than 15 percent and that will give us the glue that makes the school experience worthwhile for disadvantaged dropouts in particular.

A few other comments and then I am done. The inclusion of CBO's in the legislation is very important. CBO's have been particularly hard hit and we basically dismantled the infrastructure that was built up during the 1960's so that has my support. Political support. I would like to see this legislation require that the value of output created by young people in the programs be calculated on a sample basis within each SDA. We know that the value of the work produced by young people in work experience programs often cancels 50 percent of the overall cost in over 100 percent of the costs involved. If this was required as a reporting requirement, then we would do much to eliminate the make work kind of reputation and myths that were developed under CETA.

Finally, under implementation we pay a great price for a highly decentralized uncoordinated employment and training system. We let 1,000 flowers bloom among front line practitioners without professional trainers and without a sifting and sorting of the best approaches in youth employment. I urge that you somehow in this piece of legislation reinvigorate the legitimate role of the U.S. Department of Labor in technical assistance, management training, information dissemination, research and evaluation.

Thank you.

[Prepared statement of Andrew B. Hahn follows:]

Prepared Statement of Andrew B. Hahn, Assistant Dean, Heller Graduate School for Advanced Studies, Brandeis University, Waltham, MA

INTRODUCTION

Mr. Chairman and distinguished members of the Subcommittee on Employment Opportunities, I am pleased to testify on the bill before you, the Youth Incentive Employment Act. I am a principal on a national project to assist youth practitioners, youth program funders, and policymakers better understand effective practices in the youth employment field. My work and that of my colleagues, Robert Lerman and Erik Butler of Brandeis University's Center for Human Resources involves evaluation of youth programs and dissemination of reliable information to the field through our publications, management assistance, and training. We receive no government funds at this time for our youth employment work. We are supported by a consortium of national foundations and corporations.

I am particularly pleased to comment on H.R. 5017 since the bill builds so directly on past experience in youth programming. We are often admonished not to "reinvent the wheel" and to strike for stability in American youth programs. Mr. Hawkins and others should be congratulated for initiating a bill which is based on proven, research-based lessons, not to mention good common sense.

Today I would like to address some of the most relevant research lessons for H.R. 5017. These lessons stem from Congress 1977 mandate (the Youth Employment Demonstrations Project Act) to learn "what works best for whom" in youth employment. Second, I will offer a few reservations about some features of the bill. Make no mistake, however, about my views. I believe that this bill fills a critically important void in today's mix of programs for disadvantaged young Americans. It is the only large scale effort that promises to effectively link work and education, that builds on known principles of effective youth programming, and that moves us toward a comprehensive and developmental approach to youth employment. Most fundamentally, the bill would create jobs linked to basic skills remediation and other employment competencies. These features of the proposed law are exactly what were tried in the 1978-1980 Youth Incentive Entitlement Demonstration, the 22 percent set-aside initiative in Title 4 of CETA, in Job Corps programs throughout the country, and in the 1980 Youth Act proposals considered by Congress and passed overwhelmingly by this House in August of that year.

LESSONS FROM RESEARCH

The public discrediting of CETA is so thorough that the nation runs a great risk of failing to learn from its experience. A Brandeis review of federally-funded research on youth employment has identified the following information related to the importance of enacting the Youth Incentive Employment Act.[1]

Youth unemployment has gotten steadily worse over time.—Recent youth joblessness continues a trend that has worsened almost every year since the mid-1950's. In March 1984 the unemployment rate for Americans aged 16-19 was 19.9 percent, over twice the rate for the population as a whole. Forty percent of all unemployed Americans are under 25. Black teens are the only group of Americans who haven't seen their unemployment levels improved significantly in the economic recovery. New legislation is needed more than ever.

Some groups of youth are affected more than others.—Black youth who are high school dropouts, who do poorly in school, who do not have any working parents, or who are in households with welfare benefits are more likely to suffer significant and continuing unemployment. For other minority youth, especially Hispanics living in cities, the picture is similar. Legislation must be targeted to those most in need.

General economic improvement won't solve the problem by itself.—While increased general demand for labor would help alleviate overall youth employment, severely disadvantaged youth would still be among the last to be hired. Prosperity is not just around the corner for poor and minority youth.

The aging of the Baby Boom generation helps, but fails to solve the problem.—Demographic changes won't make a difference in the concentrated youth unemployment problem. While the share of the total population in the USA aged 16-24 will decline by almost 20 percent in the next ten years, that segment of the population most deeply afflicted by long-term youth unemployment may actually increase in size over the next decade. The Baby Boom won't make teenage joblessness among those most at risk go away.

The lack of basic educational skills is a major barrier to employment.—A conservative estimate indicates about 700,000 youth leave school each year without graduating; that number is well over a million when enrolled youth who attend school rarely, if ever, are counted. Young people must have basic skills to succeed in today's labor markets.

One out of every five Americans is functionally illiterate.—While 13 percent of all 17-year-olds are classified as functionally illiterate, these percentages increese to 44 percent and 56 percent for black and Hispanic youths, respectively. In concrete terms, an illiterate student would answer incorrectly the question, "which door would you go through for lunch?", after being shown pictures of our doors labeled Cafeteria, Library, Nurse, and Principal.

DOES ANYTHING WORK? LESSONS FROM EXPERIENCE

The work-education connection

Work experience programs have been the mainstay of national employment and training programs for disadvantaged youth. Yet under the Jobs Training Partnership Act, public sector work experience during the school year has been nearly abolished. This policy is shortsighted. Public sector work experiences often provide a first taste of "service" work. Well over one third of all teenage labor force entrants take service jobs. Legislation such as H.R. 5017 provides the early training for the jobs that disadvantaged youth are likely to take tomorrow.

Under CETA attempts were made to improve or enhance the "no frills" approach to work experience in the public sector. Countless programs added basic skills remediation, pre-employment and work maturity components, and support services to supplement the basic work experiences. Our research shows that providing jobs along with education and training did help youth from economically disadvantaged families.

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[1] This review draws on The CETA Youth Employment Record by Andrew Hahn and Robert Lerman with Andrew Sum et al (Brandeis: Center for Human Resources, Waltham, MA 1984). Parts of this testimony also derive from Brandeis publications written with Erik Autler and Robert Lerman.

This linkage between school and work operated under the largest CETA demonstration. The Entitlement Program made jobs available to poor youth on the condition that they remained in or returned to school and maintained an adequate attendance and grade record. What did this demonstration reveal for the proposed Youth Incentive Employment Act? Consider the following questions:

Question. Can work strategies attract dropouts back to school or keep youth in school?

Answer. With the attraction of a guaranteed job conditional on school attendance, the Youth Entitlement experience showed that work experience attracted a significant number of dropouts back to school. In one year the rate improved by 55 percent (1978) and in another year by 10 percent (1979).

Such approaches can be highly targeted. The Entitlement Program, for example, was more effective in attracting unemployed dropouts back to school than dropouts who already had jobs.

The attraction of a guaranteed work experience placement also exerted a positive, although much smaller influence on the decision of disadvantaged students to remain in school. Today, the experience of Entitlement has been replicated in the Boston COMPACT.

Question. Can work experience programs add to the employment opportunities of disadvantaged youth?

Answer. Data from the Summer Youth Employment Program strongly suggest that public work experience programs add significantly to the employment opportunities of disadvantaged minority youth. When summer programs are enriched by adding education or pre-employment training, the outcomes are even better than pure work experience programs.

Findings from the Entitlement demonstration show conclusively that work experience programs can be used to increase the in-program employment of disadvantaged youth, particularly minority youth.

Question. Can work experience programs increase the post-program schooling and employment of disadvantaged youth?

Answer. The Summer Youth Employment Program accounts for a modest increase in the post-program schooling and part-time employment of its participants. The effects on dropouts are more dramatic, although dropouts are the minority of enrollees.

Our research review shows that combinations of training, work experience, and basic skills remediation works better than "no-frills" work experience. Simply put, the evidence is that work experience programs that are not connected to remediation services and post-program vocational opportunities are unlikely to produce the same results as "enriched" work experience programs.

Job creation

The Youth Incentive Employment Act is a job creation strategy. Efforts to create or expand employment opportunities for youth may take two forms: (1) general economic stimulation to raise aggregate demand for labor; or (2) policies to create, or redistribute new jobs to disadvantaged youth. Targeting efforts may be accomplished in two ways: (a) through the direct creation of jobs in the public sector (such as the Youth Incentive Employment Act is likely to do), or (b) through stimulating demand selectively in the private sector by subsidizing the wages of young workers or offering tax incentives for hiring young, poor workers. HR 5017 offers wage subsidies to employers.

Question. How effective is the strategy that creates public jobs for youth?

Answer. Despite JTPA and popular perceptions, direct public job creation initiatives, such as H.R. 5017, can increase the number of jobs available to disadvantaged youth at a rate 50 times greater per unit of expenditure than general budget outlays. This figure is based on our review of CETA work experience programs. To a considerable extent, the value of output produced in the progams is likely to offset the costs of creating the jobs.

Question. What is the relative effectiveness of the strategy that creates jobs by offering subsidies to private sector employers?

Answer. Private sector tax and training subsidies such as TJTC and OJT reduce overhead and training costs through partial subsidies. They also provide some incentive for employers to hire youth who would not have been hired in the absence of the subsidy. But these efforts have not elicited the expected levels of employer participation. I view H.R. 5017 as an important compensatory policy, filling in where tax credits and OJT programs have failed to involve sufficient numbers of employers. Moreover, our review of the evidence on Wage Subsidies (also part of H.R. 5017) shows that firms do respond to wage subsidies when connected to a program like the Youth Incentive Employment Act.

Question. Would lowering the Minimum Wage be an effective alternative to H.R. 5017?

Answer. No; a reduction in the minimum wage would increase the demand for disadvantaged youth. One recent estimate suggests that the presence of the minimum wage in 1978 lowered the employment of black 16–24 year-olds by 5.6 percent. Other estimates show the minimum wage responsible for smaller impacts. Under any of the estimates, the job losses resulting from the minimum wage account for only a small part of the chronic employment problems of low income youth.

LEGISLATIVE CONSIDERATIONS

Targeting

First, I believe the trageting provisions of the bill should be strengthened by focusing on geographic areas of greatest need as well as individuals of greatest need. There simply are not enough federal dollars in this bill to distribute meaningful resources to each SDA.

Second, I urge that the targeting provisions include stronger language to the effect that SDA plans will not be approved without proven outreach practices to attract dropouts into the program. Notice of sanctions should be included in this regard. Dropouts should be served based on 90 percent of their share in the eligible population.

Will dropouts return to school in the Youth Incentive Employment Act? Yes, based on Entitlement. Will most graduate once returned to school? No, based on Entitlement. I recommend therefore that alternative education settings be encouraged more forcefully under H.R. 5017. In particular, the proposed Act allows only 15 percent of program funds to be used on worksite supervisors, supplies, training aids, and alternative education expenses. If we are to take seriously the many exciting new educational technologies for teaching disadvantaged youth, such as Computer Assisted Instruction, then it will likely cost more than the allowable 15 percent.

The inclusion of community based organizations is an excellent feature of the proposed Act. CBO's reach more dropouts than any other type of service agency. Community-based organizations have been particularly hard-hit by the provisions of JTPA.

Political support

I would recommend that H.R. 5017 add a requirement that the programs document the output of goods and services produced through work projects. This could be done on a random sampling basis within each SDA. Myths about CETA "make-work" hurt that program. The Youth Incentive Employment Act should strive to replace myth with fact.

Implementation

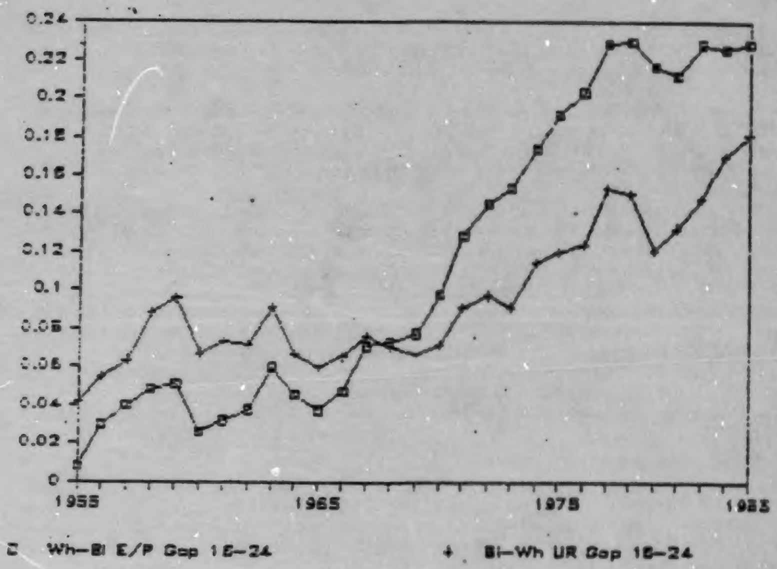
One consequence of our patchwork quilt of American youth employment programs is that the growth of a genuine employability development system, in which trainees receive coordinated services that meet their training needs, has not evolved in the United States.

A second consequence stemming from the current decentralized system is that innovations in training approaches, work experience programming, and educational curricula are not shared among front-line practitioners. The system allows "1000 flowers to bloom" without the benefit of a professional cadre of trainers and standardization of approaches and curricula. I urge that the proposed Act reinvigorate the legitimate role of the U.S. Department of Labor in providing technical assistance, management training, information sharing, research, evaluation and dissemination.

I want to thank you for this opportunity to testify on H.R. 5017.

FIGURE 1

RACIAL DIFFERENTIALS IN EMPLOYMENT-POPULATION RATIOS AND UNEMPLOYMENT RATES: YOUNG MEN, AGES 16 - 24: 1955 - 1983



Mr. HAWKINS. Thank you, Dr. Hahn. The Chair interrupts.

Before questioning you, and I am sure there will be many questions because both of you presented, excellent testimony I would like to call on the Honorable Wayne Dowdy, Democrat of Mississippi. We would like to accommodate his schedule. We are very delighted to have you before us this morning, Mr. Dowdy, and at this time we will hear from you and then we will go back to questioning the other two witnesses. Thank you very much for appearing before the committee.

STATEMENT OF HON. WAYNE DOWDY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

Mr. DOWDY. Thank you very much, Mr. Chairman. I appreciate your courtesy extended to me and I wanted to appear before your committee this morning to tell you that I support H.R. 5017, the Youth Incentive Employment Act, because I believe it will expand educational and employment opportunities for our youth.

I wanted to talk very briefly about a successful pilot project which operated in my home State of Mississippi from the spring of 1978 through August of 1980.

The program offered employment to teenagers from poverty level families who returned to or remained in high school. Extensive research was conducted to test the impact, feasibility, and cost of this effort to assist unemployed youth. The youth incentive pilot program decreased the dropout rate in the State of Mississippi in the fall of 1978 and increased the number of students returning to school in our State.

In Mississippi about 10 percent of the participants had at some point dropped out of school for one semester or longer. Through recruitment efforts of the project, these youths returned to the educational system. The fact that potential dropouts remained in high school also improved the opportunity for additional post secondary education.

Based on the research data resulting from the youth incentive pilot project it is clear that the proposed program can have a positive effect on the education and unemployment problems of the youth in our State. Among the benefits expected naturally are increased school enrollment rates, a return of dropouts to school, decreased unemployment rates for young people, increased percentage of students receiving a high school diploma or high school equivalency degree and improved employment.

I called the State employment people earlier this week and for fiscal year 1985 it is anticipated that the overall rate of unemployment among teenagers in our State will be 24 percent. For black teenagers it will be far higher, 41 percent.

I think that the Youth Incentive Employment Act addresses the jobless problem in a responsible and effective manner and I urge the favorable consideration of this legislation.

Thank you very much, Mr. Chairman.

[Prepared statement of Congressman Wayne Dowdy follows:]

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PREPARED STATEMENT OF HON. WAYNE DOWDY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSISSIPPI

I support H.R. 5017, the Youth Incentive Employment Act, because I believe it will expand educational and employment opportunities for our youth.

I wanted to talk about a very successful pilot project which operated in my home State of Mississippi from the Spring of 1978 through August of 1981.

The program offered employment to teenagers from poverty level families who returned to, or remained in, high school. Extensive research was conducted to test the impact, feasibility, and cost of this effort to assist unemployed youth.

The Youth Incentive Pilot Program decreased the dropout rate in Mississippi in the fall of 1978, and increased the number of students returning to school.

In Mississippi, about 10 percent of the participants had, at some point, dropped out of school for a semester or longer. Through recruitment efforts of the project, these youths returned to the educational system. The fact that potential dropouts remained in high school also improved the opportunity for additional postsecondary education.

Based on the research data resulting from the youth incentive pilot project, it is clear that the proposed program can have a postive effect on the education and unemployment problems of our youth. Among the benefits expected are: increased school enrollment rates; return of dropouts to school; decreased unemployment rates for youth; increased percentage of students receiving a high school diploma or a high school equivilancy certificate; and improved employability of participants upon program completion.

For fiscal year 1985, it is anticipated that the overall rate of unemployment among teenagers will be 24 percent; for black teenagers, it will be about 41 percent. I think that the Youth Incentive Employment Act addresses the jobless problem in a responsible and effective manner, and I urge the passage of this legislation.

Mr. HAWKINS. Thank you, Mr. Dowdy.

Let me ask if there are any question of the Congressman.

Mr. MARTINEZ. Yes. You mentioned several positive aspects of the Youth Incentive Entitlement Pilot Program in your area. I am wondering if there is any information regarding a decrease in law enforcement problems among areas where youth were going back to school and being gainfully employed.

Mr. DOWDY. It does not show up on the study results, but I can tell you from conversations which I had personally with a number of law enforcement officials in 17 counties that were affected as I recall it was 19 counties in poverty areas of our State that this had a signficant impact on law enforcement problems and in the impacted areas, but it is not reflected in the study data.

Mr. MARTINEZ. I wish somebody had included it because I know from personal experience in my own district, an area where we took young people that were unemployed and assisted them with employment, a lot of them than felt the need to go back to night school, and continue their education and to get a diploma, but one of the most dramatic things in that area which we call the block was the fact that the law enforcement problems with youth almost ceased. It was dramatic.

Thank you.

Mr. HAWKINS. Mr. Dowdy, the impression is sometimes that legislation of this kind is primarily sponsored by those of us from the urban areas it seems to suggest that we are sort of city slickers who are trying to get money only for the urban areas. Would you say that there is a distinct need in the rural areas and that legislation of this kind can be of as much help to those areas as it is in the more concentrated population centers?

Mr. DOWDY. Mr. Chairman, definitely. The project that I spoke about which was conducted from 1978 through 1980 in the State of

Mississippi was conducted in 19 counties primarily across the southern end of our State. The most populous of those counties would have a population of probably 60,000 persons ranging down to Jefferson Davis or Jefferson County, MS, where the population would not exceed 15,000 persons.

I have already talked about the positive impact that it had on these rural areas, so I agree with your statement that those of us who represent underdeveloped rural areas are helped by this legislation as much as if not more than those from urban areas.

Mr. HAWKINS. Well, we certainly appreciate your comments. If there are no further questions, we will excuse you. Again, we appreciate your appearance before the committee this morning and we are sorry that our schedule was disrupted.

Thank you.

Mr. DOWDY. Thank you, Mr. Chairman.

Mr. HAWKINS. With apologies to both Dr. Hahn and Dr. Sum, we will now proceed with questions.

I know there will be more questions to both of you.

I will yield to Mr. Jeffords, the ranking minority member.

Mr. JEFFORDS. I listened very carefully to the testimony and I certainly agree that we should not let those things that we learned out of the experimental programs in 1977 in title 4 of CETA to go without recognition for the tremendous advancement they made in dealing with youth unemployment. That is why in my original training bill in 1982 in part B I tried to insure that these programs would be carried forward.

My concern is basically that at this particular time in our history with the huge deficit that we have, the possibility of getting a new program adopted this year is very remote.

The efforts that I started with my own bill in a sense, but more importantly by the chairman here under these experimental programs was carried forward in the Job Training Partnership Act in section 205. What I would like to see and I think would be much better for us to do, is to take and perhaps even set up a new part of that bill which would put more emphasis on youth unemployment. I would just like to say that I would hope that when I come forward with that proposal you might take a look at it. See if that is a more practical approach to be able to target some money for those areas of high youth unemployment and utilize existing programs which the administration has now enthusiastically acclaimed. We might have a better chance of getting something done. I would just like to ask you this one question. Have you reviwed section 205 and are you familiar with what is going on around the country in those programs? Have you noticed any change, especially since the new performance criteria have been established oby the Department of Labor focusing more attention on those programs? Could either of you respond to that?

Mr. HAHN. Section 205 is the exemplary programs?

Mr. JEFFORDS. Yes.

Mr. HAHN. The implementation of JTPA right now and this is not gut feeling, we now have two surveys that are out, both the NAB survey and the Walker Green survey points to what many of us fear. With respect to youth, many youth are not being served. In Houston, no youth are being served. With respect to youth employment competencies which was a terrific innovation to include in the legislation, the technology of implementing youth employment competencies to accomplish just what you would like to see done is such that SDA's are having terrible difficulty doing it in a genuine way and this then goes back to the role of technical assistance and information dissemination.

People understand the concept of these progressive, legislative components in JTPA, but are not often able to do it. So the only roundabout way I have of answering your question with respect to anything exemplary happening under JTPA is to go back to looking at its early implementation. The whole notion of implementation of the youth employment competencies such that the implementation hurdles are overshadowing any genuine results that you would like to see with respect to exemplary programs. It could be a temporary phenomena. Programs do learn over time, but it is hard to see whether it would be done unless someone is providing assistance that is needed. We are substituting reporting requirements, but doing very, very little in replacing the Federal role in providing technical assistance. This is coming out of the surveys.

Mr. **Jeffords**. In other words, your feeling is that there is a great lack of technical assistance to aid the States and the SDA's in their ability to implement these programs and that is one of the greatest problems?

Mr. **Hahn**. Yes.

Mr. **Jeffords**. Thank you.

Mr. **Sum**. Just a further comment. One of the more serious difficulties being faced in the JTPA system today is the difficulty in enrolling sufficient numbers of high school dropouts and the ability to track high school dropouts with a comprehensive approach is likely going to exist until service delivery areas are convinced that a more comprehensive approach combining education, remediation and work experience is probably the best way to go under youth programs.

The fact of the matter is, however, that the comprehensive approach is going to be more costly than that of a very cheap job search or training employment assistance program.

As a result the performance standards which place such an emphasis on cost replacement most service delivery areas are just reluctant to adopt that kind of comprehensive approach and are likely not to do so until they are given encouragement by the Department of Labor that exceeding the standards will be justifiable whenever results indicating substantial improvement employment earnings can be justified with high school dropouts. That is where the approach in this bill I think happens to represent the best approach that we could adopt even within the current JTPA system.

Mr. **Jeffords**. I understand that. What I would like to see is what kinds of evidence and testimony are needed to bring about the changes in JTPA which are necessary to improve what can be done under that bill. I think our efforts would be much better spent doing that to be very candid with you.

I do agree with what you say and that is one of the reasons I fought so hard to insure that we made the amount of money going to youth specified as a percentage of the total amount of money rather than a number of slots. I was afraid that what would happen is just what you are saying is happening. Only the cheap programs are being emphasized where you can give people information on how to seek out jobs. Those are good programs, but they don't get to the real problems of lack of basic skills as the total comprehensive youth programs do.

Now, we have the 40-percent youth money which, unfortunately at least at present, is not being utilized. There appears to be great difficulty in finding ways to utilize it because of some of the restrictions under JTPA. I hope to be able to work to get rid of some of those restrictions so that we can utilize that money in a more comprehensive way.

Mr. **Hawkins**. Would the gentleman yield?

Mr. **Jeffords**. I would be happy to yield.

Mr. **Hawkins**. Could you comment on whether or not the 30-percent limitation under JTPA would in anyway impose restrictions that would make a comprehensive approach almost impossible?

Mr. **Jeffords**. I certainly would endorse that question.

Mr. **Hawkins**. Could we get a comment then from Dr. Sum who I think indicated a need for remedial programs and a more comprehensive approach?

Would the fact that the moneys would be limited by the 30-percent limitation on the use of the funds for nontraining except in certain instances be a limitation that would be difficult to overcome?

Mr. **Sum**. I believe it currently is a severe limitation. Also for reasons that Dr. Hahn suggeted there is oftentimes a lack of clarity as to what in fact will be deemed acceptable when audits come down and that guidance forthcoming from the national office is less than optimal to say the least and as a result, SDA is reluctant to engage in activities which they may later be found responsible for misusing funds.

I happen to think that a broadening of the 30 percent would be desirable. I think it is desirable for the fact that I think that we too often have looked at job experience as something that is either income maintenance or something that represents a waste of scarce dollars. Yet the evidence as we tried to indicate from many of the youth work experience programs as well as from adult work experience programs was that those programs could, in fact, improve young peoples' employability and the evidence on whether or not you work in high school helps you adjust to the labor market as a young adult is overwhelming. Every major study that has been done in the last 10 years indicates that for those young people who don't go on to college work experience in high school adds to your employment and earnings, 1, 2, 3, 4, and 7 years after graduation and those results hold true for men and women, whites and blacks, and Hispanics. And yet when it comes to employment and training legislation, we are reluctant to somehow admit that we can in fact create jobs for disadvantaged young people that may be just as capable of improving their long-term capability as the jobs young people get through their own efforts and that is the real challenge with the JPTA system is encouraging for a comprehensive approach that builds in work experience and improving work experience to guarantee that it is a true investment and not a waste of time and money as has so often been stated by critics of the past system.

Mr. **Jeffords**. I would like to follow up a little bit. One of the concepts we put into JTPA was the tryout employment and one of the exceptions to the 70–30 situation is that program.

I wonder whether there is a general understanding of the availability of that option and whether people out in the field are taking advantage of it?

Mr. **Hahn**. I don't think that people are taking advantage of some of the opportunities. That is why this bill, H.R. 5017, does something in scale that even improving JTPA could not because it is introducing school condition public sector work experience. Having the tryout employment as a window of opportunity and a larger list of exemplary program approaches in section 205 or wherever it appears in the legislation was important, but it speaks to scale and few people that I know of are really doing it on scale and given the magnitude of the problem, I think parallel legislation like this is not unimportant to say the least, because this really reintroduces the notion of school condition, public sector, work experiences along the private sector work experience as well. So it is almost a question of scale rather than just amending and improving JTPA.

Mr. **Sum**. Could I make one point? Under the youth employment and demonstration project a series of experiments were conducted to test out whether or not the private sector can be enticed into hiring disadvantaged young people with the 100-percent subsidy. I think the evidence in that does, in fact, indicate that subsidies and Barbara Blum later will testify perhaps further on this that subsidies can entice a relatively large number of employers to agree to try out employment with disadvantaged young people. It has a large number of advantages that I tried to lay out on paper. One thing that we learned from that demonstration was when we asked private sector employers how long it took them to provide a resonable assessment of a disadvantaged young person's suitability for subsidized employment, the answer was on average about 3 months. Given the bill's notion that there would be part-time employment during the school year, it would be reasonable to assume that it would take about 6 months for a private sector employer to make a good assessment as to whether or not the disadvantaged young person should be kept on. Trial employment for 6 months for in school youth is often viewed as too expensive to be used as a wise strategy.

Again, the concern with cost is something that is making it difficult for SDA's who wish to experiment with the program that it has proven to be able to make a difference for the labor market success with disadvantaged young people and that is why I strongly encourage the tryout employment of JTPA. I think we need to build on more subsidized wage experience for private sector firms under this bill.

Mr. **Jeffords**. You say that the 250 hours is a serious impediment to its use?

Mr. **Sum**. It is; yes.

Mr. **Hawkins**. Mr. Martinez.

Mr. **Martinez**. I would just like to say I agree with you, Dr. Sum. I think your assessment of this is very accurate especially with relation to the experiences that I have had.

I would like to ask you, though, about a notion that I had that it is in the bill to target and make the formula of these moneys available on the basis of high employment rates. You suggested earlier I think you mentioned in the case of Baltimore that their percentages would differ greatly using a formula that you suggested or criteria you suggested. Would you go over that again and maybe elaborate on that a little?

Mr. **Sum**. Without attempting to be parochial, I used my hometown of Boston which is not unique.

The point I was trying to make and I tried to make that when the JTPA bill was being debated was that the allocation formula under JTPA is terrible. The allocation formula in the bill, by putting one-third of the weight on overall unemployment and one-third on excess unemployment would not allocate money to those areas where there are high concentrations of disadvantaged individuals and that is so for the following reasons. Being unemployed simply means that at the time of the survey, you are not working, but you had been actively looking for work. Being unemployed has no bearing at all on your family income position, so large numbers of unemployed people in the United States are not economically disadvantaged. In fact, only approximately one out of four unemployed in a typical month would be individuals who live in disadvantaged families.

On the other hand, the vast majority of the economically disadvantaged do not meet the strict definition of being unemployed. Nationally, for the last 5 years, every survey I have ever looked at indicated that on average about 7 percent of all economically disadvantaged persons would be classified as officially unemployed. So large concentrations of poor people do not necessarily mean large concentrations of unemployment. Many of the disadvantaged are removed from the labor force entirely or are employed in part time or low wage jobs not earning the sufficient income level. So if you target on the basis of unemployed, you will not target additional moneys to inner cities, rural poor areas nor to those communities that contain high disproportionate amounts of poor, racial, and ethnic minorities. If we really want the program to help meet the objectives of the act, which is to provide more job opportunities where the need is greatest, then we ought to allocate money on the same formula that we established to participate in eligibliity criteria. If the program is designed to serve all unemployed youth, then let the criteria be your share of general youth unemployment. But when the program says let's serve jobless, and remember jobless does not mean unemployed, those are two oftentimes misinterpreted. Jobless simply means you don't have a job. Unemployed means you don't have a job, but are looking for one. There are far more jobless disadvantaged than there are unemployed disadvantaged.

I am suggesting that if we say our target group is disadvantaged jobless young people, then let's put our dollars where our intent is and if our intent is to serve that group, let the allocation formula reflect participant eligibility. That is what's wrong with the current JTPA bill and it is wrong in this bill and I suggest that if we truly wish to serve the disadvantaged, then let's allocate on disadvantaged criteria 100 percent.

Mr. **Martinez**. Thank you.

Mr. **Hawkins**. Dr. Sum, besides agreeing with you and what you state in terms of the allocation formula, we have the difficulty of trying to keep up with those who are persistently talking about the unemployment rate and that makes it very difficult. Now, we have found the reasons why the proposal is geared to the unemployment rate is that we do have the hard data in that regard, but below the State level we don't have the data that you referred to upon which a true allocation formula can be built. So, we, in a sense, perpetuate this deficiency.

Now, I would assume that you would strongly suggest that we should have the data. All we have now are samplings which would not accommodate a real allocation formula, but I was going to suggest that between the failure of the absence of such data upon which an allocation formula can be made such as you have suggested and what we have presently available to us on which to base on there may be some method whereby we could reach a conclusion and insert in the total allocation formula such as you have suggested.

I would hope that the staff can work with you so that we may be able to modify the allocation formula because we are not satisfied with it either.

Mr. **Sum**. Mr. Chairman, I would just inject a quick comment on that.

In the testimony I had suggested that there is a data base that would allow us to do this with a very high degree of accuracy at the SDA level. That data base is now 4 years old, but the 1980 census has records on approximately 35 million individuals which I have used in part to prepare this testimony which can give us fairly reliable estimates of the number of disadvantaged young people in SDA who were 16 to 19 living in families with incomes that would make them eligible who were jobless at the tie of the 1980 census.

Now, everyone will say, but that is 4 years ago.

Mr. Chairman, all evidence suggests that the structure of poverty and the structure of the disadvantaged population changes only gradually over a number of years. Unemployment data can radically vary from one year to another. That is not true for the economically disadvantaged population. I would argue that using 1980 census data which is available and can be run off and I would volunteer to run it off for $2,000 to hold down the deficit to serve more young people and free of charge. That is only computer costs. I would suggest that that data base would be technically far superior to that which we currently used to allocated JTPA money on what appears to be more current information. The allocation would be superior.

Mr. **Hawkins**. I will not pursue that because I agree with you, but certainly we would hope that we could work with you and it is desirable we probably can locate the $2,000. Certainly it is something that I think the staff would like to explore with you.

We did not get into the questions on the matter of the minimum wage, but I think Dr. Sum, you did suggest that in the pilot project, the education of the wage subsidy from 100 percent to 75 percent was accompanied by a drop in participation among private sector employers. Does this suggest that a youth subminimum wage at 75 percent of the current minimum wage would not be as effective as the administration hopes?

Mr. **Sum**. Mr. Chairman, I am not an expert on the minimum wage. I personally don't believe there is such a thing.

The fact of the matter is, being an economist, I think one has to be reasonable and simply say the following. The evidence on a minimum wage does, in fact, indicate that as you raise the minimum wage, young people tend to lose employment at anywhere from 1 to 4 percent for every 10 percent raise of the minimum wage. There is no body of evidence that suggests what happens if you put it in the opposite direction.

Second, we have not had any major tests to indicate what happens when you lower it not by a few percent which is really all our results pertain to, but rather by what econmists would call a major discrete jump of 25 percent.

The third thing is we have no evidence whatever on what happens when you raise the minimum wage on disadvantaged youth. All our evidence applies to youth in general.

The problem of disadvantaged youth is substantially different than that of youth in general. So anyone who could come before the committee and give you an estimate with confidence as to what we could expect from a reduction in the subminimum wage on disadvantaged youth would surely, at best, be guessing and at worst simply distorting the real world.

As a result, I would hesitate to give you any estimate of the overall impact, except to say that lowering the minimum wage for disadvantaged youth is not likely to be the most effective strategy for solving our problems.

As Andy suggested here, it is a subsidy combined with the program where the employer knows that he is not just getting an individual off the street, but is getting an individual who is receiving education and training remediation that will make a difference for their willingness to hire disadvantaged young people at a reduced wage relative to that that they have to pay at the current time.

Mr. **Hawkins**. Dr. Hahn, I think that my reference to this statement being that of Dr. Sum was actually yours. Maybe you would wish to comment on it.

Mr. **Hahn**. No, he covered the topic well. There was a Presidential Commission on Minimum Wage that reviewed all the evidence. My views are the same as Andy's on that. The only thing I would add is even if you took the estimates from the President's Commission on Minimum Wage and the simulation they did with minority youngsters and disadvantaged teenagers, it would not be a major advance to diminishing the problem suffered by these groups that are most affected. It is also a political problem as we are all aware of, so it does not seem to be an effective alternative to this kind of proposed bill.

Mr. **Hawkins**. Thank you.

Do you have any questions?

[No response.]

Mr. **Hawkins**. There seems to be no further questions. Again, thank you Dr. Sum and Dr. Hahn for your excellent testimony.

The next witness is Hon. Ronald Sarasin, who is the former ranking Republican member of this subcommittee, and we certainly want to welcome him back to the committee in a different role. We enjoyed many years of working with him as a colleague and we have somewhat kept up with his career since leaving this body, and Ron, you look much better now than you did then. Your new role is certainly suggestive to some of the rest of us.

STATEMENT OF HON. RONALD SARASIN, FORMER RANKING REPUBLICAN MEMBER, SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES, DIRECTOR OF GOVERNMENT RELATIONS, NATIONAL RESTAURANT ASSOCIATION

Mr. **Sarasin**. It may be a lesson in leaving the Congress, Mr. Chairman, and it is a pleasure to be back. Let me emphasize that very, very much. Even sitting on this side of the dais as opposed to the many months and years that I sat on the other side.

There is no question I found my experience not only as a Member of Congress but as a member of this committee very rewarding in large measure because of my opportunity to work with you, Mr. Chairman, on so many issues of importance to the Nation.

Mr. Chairman, although we did not always agree, certainly your sense of fairness and spirit of cooperation enabled us to reconcile whatever differences we had. I think that during the years that I spent on this committee, we had established a track record for this committee and the Congress that I think any other committee would be envious of.

I come to you this morning to talk about your bill, H.R. 5017, and would point out that in preparing for this hearing I relied as I had for so many years on the committee, on Nat Semple, who used to be the senior legislative associate on this committee. It is hard to avoid going back to talented people when you have the oppportunity to do so and fortunately, Nat is still in Washington.

Before commenting directly on the bill, I would like to say first that there is no question that despite a considerable effort of this committee over the last decade to address the needs of youth and particularly disadvantaged youth, that a good deal remains to be done if we are ever going to get to this particular segment of the population.

There is no question that too many of our youth continue to suffer from unemployment. There is no question that there is a direct correlation between the level of education attained and the ability of that individual to deal with life over the long term.

When I introduced H.R. 6044 in 1977, which was a forerunner to the Youth Incentive Entitlement Employment Act, I pointed out that the educational requirements for young persons to obtain a productive job had risen to a point where even a high school diploma was no guarantee of success. And this has raised the cost of failure even higher for those who dropped out of school.

That was 7 years ago. Since then, the requirement has risen dramatically. In 1970 more than half of the unemployed had not finished high school and only a third of the employed had obtained their high school diploma. Today 30 percent of those have less than a high school diploma and 44 percent have obtained a high school diploma.

In terms of minorities, the evidence is more striking. In 1970, 61 percent of the black unemployed constituted those who failed to graduate from high school. Diplomas were obtained by 30 percent of the unemployed. In 1983, the figures are almost reversed; 35 percent of black youth unemployed have not graduated and 45 percent have. What this says simply is that there are more and more people, especially in the minority community, who have graduated from school and are still unemployed. So we are really trying to get at and you are, I know with this bill, those individuals to whom some incentive may make a difference in the rest of their work life.

I certainly can support that.

In 1982, more than half of black youths who had not graduated were unemployed and this includes only those who were actively seeking employment. When those who had dropped out of the labor market are taken into account, you are looking at a figure of over 70 percent of the black minority youth who are unemployed. And the rate of dropping out of school has increased dramatically.

A recent report of a New York Board of Education projects that 40 to 43 percent of current ninth graders in their school system will not be in school in 1986 and that is when they are supposed to be seniors.

Now, both of us, Mr. Chairman, have long recognized this problem. It was our mutual desire to attempt to do something about it that led to the enactment of the Youth Incentive Entitlement Program of 1977 and we also recognized that everything that had been done up to that point had been done very well. It is no exaggeration to say that the program was the single most extensive effort ever put forth by Congress to address the issue of unemployment and school dropouts. It tests a variety of assumptions of the causes underlying youth unemployment and determines what incentives were needed to encourage youth to remain in or to return to school.

The Youth Incentive Entitlement Program was based on the notion that an employment opportunity, coupled with the requirement that participating youths continue their education would have an overall beneficial effect.

There is no question that the effect of the program was profoundly positive, much more so than any previous effort. The results which are extensively described by the Manpower Demonstration Research Corp. are indeed compelling. What they have concluded, and perhaps one of the most compelling and well thought out analyses of the issue is that programs which link school and work can be designed and can be run in a meaningful manner.

The demonstration also showed that young people are indeed willing to continue their education provided we had a job opportunity for them and that given the chance, youth and particularly minority youth will participate in great numbers.

It is with some pride that I can report as you know that the Youth Incentive Entitlement Program nearly doubled the rate of employment for black youth. MDRC is on the schedule for later this morning and I know they will be able to describe what they so skillfully analyzed.

There are two findings that I find particularly significant, and I think they are important to consider in any followup effort.

First, while a significant number of out-of-school youths were willing to return to school when provided an employment oportunity, they did not stay long in the program. Almost half of the dropouts who participated dropped out again.

So when we look at what was really a relatively low participation rate for school dropouts that the Youth Incentive Entitlement Program only marginally affected one of the groups we were targeting. Perhaps the biggest disappointment that the analysis provides is how little we learned about what it takes to get to the dropout; what it takes to encourage them to come back and stay.

While MDRC suspects that the reasons derived from their general inability to be reached, the fact that dropouts tend to be older and self-supporting and in some cases heads of household, they really have not and I am not sure anyone has yet tried to determine what it would take to get to this group. It may be that they not only require employment opportunities but additional support services as well.

It is also clear that there is a need for some form of alternative education outside the original school setting. I think part of the problem with dropouts is that once they have dropped out their peer group has moved ahead. It is an uncomfortable position to come back behind your peer group and so I think this gives us another reason that alternative education would be very important.

It is my understanding that MDRC is now planning to initiate an effort to determine the essential elements in an effective alternative education program.

There are additional dollars that will go to support service. I understand that. Also, Mr. Chairman, I am troubled by what may be a minor but I think a significant point raised in the language of subparagraph 3(a)(1)(B). As drafted, this section includes a qualifying education program as an alternative education program conducted by local education agencies for community-based organizations.

I know that CBO's can do an effective job and have done an effective job in addressing the remedial education needs of youth. But this does not mean that CBO's by definition offer truly equivalent education programs. We required the program to be certified by the appropriate state agencies, and I think that the requirement should be met here as well.

The provision is made to include programs of remedial education that are required to be approved by the local education agency.

Here again I think it is the State agency whose approval should be required because they are the ones who do the approving for alternative forms of education.

But even with appropriate changes in the language, it may take a great deal more commitment by the Nation's schools and educators in general and perhaps additional resources if we are really to understand the problem of dropouts.

One of the problems raised in the MDRC study which is not completely answered, but certainly identified, is that there seem to be with some schools a very low level of commitment to try and work with the providers in this program, and the employers in the program to try and hold up their end of the bargain.

This is not their main function. In many cases they are trying to train young people to go on to school and they do not give the proper attention to those people who are in the process of dropping out or who have dropped out.

The second finding which I personally find very significant was the reaction of private employers. Obviously, one of the greatest employment barriers to youth, particularly those who have dropped out of school, is employer attitudes. Whether based on reality or not, most employers do not readily hire a young person who is suspected of having poor work habits, a low level of educational skills and perceived to require a good deal of supervision.

When the cost is added to this mix, most employers simply are reluctant to hire these people. One of the more compelling findings of the entitlement program if properly constructed, is that an effort of this sort can go a long way to change employer attitudes. It should be said, however, that the availability of and the level of a wage subsidy was a very important factor.

A 100 percent wage subsidy resulted in three times as many employers participating than a subsidy of 50 percent. Yet, once enrolled, it became clear that employers did become increasingly enthusiastic about their involvement with the program. Only 17 percent on an annual basis ceased their involvement. Twelve percent hired youth on a full time basis even when the subsidies ran out. These figures do show that you can change impressions and it is certainly a very powerful way to change the attitude of employers.

Equally important is that many employers participated in YIEPP. I always thought we should have paid more attention to the acronym when we put this thing together. It is either YIEPP or YIP, and I have never quite figured out which. Actually, I thought we should have named it the Sarasin-Hawkins bill, because Humphrey-Hawkins had kind of a nice ring to it.

We can learn from this program that the willingness of employers in the community at large to give disadvantaged people a chance can be improved upon and their experience during the course of the program allowed for that approval.

I am dismayed as I said, that the wage subsidy is limited to 6 months. The second provision which disturbs me greatly is that question of the prevailing wage.

The language contained in H.R. 5017 essentially duplicates that provision contained in the original entitlement program. I can only say that I did not like being forced to accept those provisions then when the youth entitlement program was initially enacted and I frankly don't like it now.

In my view, the barriers to hiring young, unskilled, disadvantaged youth are already significantly high without contributing another in the form of a wage barrier.

In the proposal I introduced in April 1977, H.R. 6044, I included a provision which allowed for an 85 percent minimum wage payment to be made. I would still recommend such an approach in this bill. Not only would it provide for more job opportunities and open up the possibility of a greater number of employers becoming involved, it would increase the prospect of a youth's chances to obtain employment on a permanent basis.

If the Congress is sincerely concerned with addressing the problems of youth unemployment, it should adopt a youth opportunity wage as part of the Fair Labor Standards Act.

The fact is that the cost of hiring has constantly been increasing, particularly with the recent addition of added social security requirements and when faced with these concerns an employer will almost always opt against a person who has few skills, little attachment to the labor force for an older, more experienced worker.

Of all of the provisions on the books now nothing is more pernicious to the ability of youth to find jobs than the minimum wage and the requirement of employers. This is a bad precedent which goes precisely in the wrong direction.

A third finding which was raised in the subsequent analysis by GAO indicated that one of the most difficult problems encountered with the program was operational. In large part there was a fast startup time and I would hope that the errors of the original demonstration project would not be repeated again.

These problems apparently all stem from the difficulty program operators encountered in obtaining cooperation from schools. H.R. 5017 does provide some incentives to schools, but it is unlikely that such a reimbursement will elicit the full cooperation needed to truly reach a large number of dropouts that currently exist.

A fourth and more general concern in the original program involved an extraordinary amount of management oversight both by MDRC and those that are elected to participate. It is unclear how much of the success of the program can be attributed to the so-called Hawthorne effect, which is that experimental programs tend to be better simply because they are experimental.

Many problems did arise and they received prompt attention by all participants because everyone really wanted the program to work and perhaps that is one of the reasons it did work so well.

Ultimately, I am afraid only the strongest service deliverers who have established good working relationships with the school will be able to handle a program of this complexity.

Mr. Chairman, it is difficult for me, after reviewing the MDRC results, not to be totally enthusiastic in support of the continuation of the youth incentive approach, but I must conclude on a note of caution. Perhaps I am discouraged by the fact that there appears to be so little support outside of MDRC and some of the program operators for continuing this effort. Maybe it is that everyone is reluctant to support any addition to the budget at a time when the deficits are so large, but I do believe we need to find out a good deal more about what it takes to address the youth unemployment problem and particularly school dropouts before moving along with the repeated past.

While we learned a lot under the Youth Incentive Entitlement Program and I believe truly it was an extremely beneficial process, it is clear that by itself it cannot do the job. Until we find out what other efforts need to be made, whether it be in the schools or in the application of other Federal, State, and local programs such as the

Job Training Partnership Act, we may be no closer to dealing with the job issue 3 years from now than we are today.

That concludes my statement and I would certainly be pleased to try to respond to questions.

[Prepared statement of Ronald A. Sarasin follows:]

PREPARED STATEMENT OF RONALD A. SARASIN, DIRECTOR OF GOVERNMENT RELATIONS, NATIONAL RESTAURANT ASSOCIATION

Mr. Chairman, I very much appreciate the opportunity to return to the scene where I spent so many exciting and challenging years. I can only say that I found my experience as a Member of Congress and of this Committee very rewarding, derived, in large measure from the opportunity to work with you, Mr. Chairman, on so many issues of importance to the nation. While we did not always agree, I was always appreciative of the fact that your sense of fairness and spirit of cooperation enabled us to reconcile our differences and to develop what I consider to be one of the best track records of positive and well thought out legislation of any Committee in Congress.

It is in this spirit that I come to you today to address the subject of your hearing, H.R. 5017, The Youth Incentive Employment Act. I would also like to point out that in preparing for this hearing I relied heavily on the expertise of Nat Semple, my former Senior Legislative Associate on this Committee, who currently serves as Vice President and Director of Governmental Affairs for the Committee For Economic Development.

Before commenting specifically on this proposal, I would like to make the following general observations. First, there is no question that despite the considerable effort of this Committee over the last decade to address the needs of youth, and particularly disadvantaged youth, that a good deal remains to be done if we are to measurably impact on the problem of youth unemployment. Too many of our nation's young people, particularly those who live in our poorer communities, continue to suffer unacceptably high levels of joblessness and, in my view, much of this can be attributed to the fact that an alarming number of youth fail to obtain the prerequisite education and skills to assure their long term employability.

We have long recognized that there is a direct correlation between the level of education obtained by a young person and their prospects for long-term employment. I can recall that when I introduced H.R. 6044, the forerunner to the Youth Incentive Entitlement Act, I pointed out that the educational requirements for a young person to obtain a productive job had risen to a point where even a high school diploma was no guarantee of success, and that this had raised the cost of failure even higher for those who dropped out of school. This was seven years ago. Since then, this requirement has risen dramatically. In 1970, more than half of the unemployed had not finished high school, only a third had in fact obtained their diploma. Today, 31% of the unemployed have less than a high school education and 44% have obtained a high school diploma. In terms of minority youth the evidence is even more striking. In 1970, 61% of the black youth unemployment constituted those who failed to graduate from high school. Diplomas were obtained by 30% of the unemployed. In 1983, the figures are almost reverse. Thirty-give percent of black youth unemployed have not graduated and 45% have graduated.

What this reveals is that the premium of educational attainment has risen and that the attainment of a high school diploma is even less of an assurance of future success in the labor market. This was only a year ago. It also means that for those who do not graduate from high school the probability of failing to obtain a decent job has grown much higher. In 1982, more than half of black youths who had not graduated were unemployed and this includes only those who were actively seeking employment. When those who had dropped out of the labor market are taken into account, over 70% are not employed.

Unfortunately, the rate of youth dropping out of school appears to have reached epidemic proportions, particularly in our nation's larger metropolitan areas. A recent report of the New York Board of Education projects that 40–43% of current ninth graders in their school system will not be in school in 1986, when they should be seniors.

Both you, Mr. Chairman, and I have long recognized the gravity of this problem and it was our mutual desire to attempt to do something about it that led to the enactment of the Youth Incentive Entitlement Program of 1977. We also recognized that past efforts had failed and that what was needed was as comprehensive and as far-reaching an approach as could be developed. It is no exaggeration to say that the enactment of the Youth Incentive Entitlement Program was the single most extensive effort ever put forth by Congress to address the issue of youth unemployment and school drop-outs. In addition, it was the largest effort to test a variety of assumptions of the causes underlying youth unemployment and to determine what incentives needed to be provided to encourage youth to remain in or to return to school. The Youth Incentive Program was based on the notion that an employment opportunity, coupled with the requirement that participating youths continue their education would have an overall beneficial effect. And, despite some extraordinary difficulty in implementing this, by any measure, the Youth Incentive Entitlement Program had a profoundly positive effect on the problem of youth unemployment, more so than any previous effort. The results, which are extensively described by the Manpower Demonstration Research Corporation are indeed compelling. What MDRC had concluded, in perhaps one of the most comprehensive and well thought out analysis of the issue to date, is that programs which link school and work can be designed and run in a meaningful manner. The demonstration also showed that young people are indeed willing to continue their education when provided with a job opportunity and that, if given the chance youth, particularly minority youth, participate in great numbers. It is with some measure of pride that I can report the Youth Incentive Enlistment Program nearly doubled the rate of employment for black youth.

But, rather than belabor what MDRC has already so skillfully portrayed and which I understand they will describe in testimony today, there are two findings that I find particularly significant and are important to consider in any follow-up effort.

First, is that while a significant number of out-of-school youths were willing to return to school when provided an employment opportunity, these youth did not stay long in the program. Fully 46% of the drop-outs who participated dropped out again. When coupled with the relatively low participation rate of the school drop-outs, it is clear to me that despite all its promise the Youth Incentive Entitlement Program has only marginally affected the out-of-school youth population. Perhaps, the biggest disappointment I feel about YIEPP and MDRC's careful and exhaustive analysis was how little we learned about what it will take to encourage drop-out youth to resume their education. While MDRC suspects that the reasons for the poor results with drop-outs derives from the general inability to reach such youths from the fact that drop-outs tend to be older, self-supporting and heads of households, his does not tell us what needs to be done to truly make an impact on these young people. It may well be that such youths require not only employment opportunities but additional support services, such as day care, to enable them to participate.

In addition, it is also clear that there is a need for some form of alternative education outside of the original school setting. Yet, despite the availability of such alternative programs we do not know which ones are truly most effective. It is my understanding that MDRC is now planning to initiate an effort to determine the essential elements in an effective alternative education approach.

I recognize that this bill does make some effort to address these issues by allowing funds to go into support services to help defray the cost of alternative education and even to defray the costs incurred by school systems that elect to participate. These few dollars will not generate the kind of institutional response that may be necessary to deal with the out-of-school problem. I am also troubled by what may be a minor but I believe significant point raised by the language in subparagraph 3(a)(1)(B). As drafted, this section includes as a qualifying education program "an alternative education program conducted by local education agencies or community based organizations". Although I know that community based organizations can do an effective job in addressing the remedial education needs of youth, it is by no means certain that CBO's, by definition, offer truly equivalent educational programs. In the original statute we required the program to be certified by the appropriate State education agencies and I would argue that any alternative program meet this test. In fact, in the very next sub-paragraph the provision is made to include programs of remedial education that are required to be approved by the local education agency. I believe, if fact, such approval needs to be given by the appropriate State agency, and I would argue that this approval should also be directed to any community based organization program. Yet, even with appropriate changes in this language, it will take a good deal more commitment by the nation's schools and educators in general, and perhaps additional resources, if we are really to understand the problems of drop-outs.

A second finding which I personally found significant was the reaction of private employers. One of the greatest employment barriers to youth, particularly those who have dropped out of school, is employer attitudes. Whether based on reality or myth, most employers do not readily hire a young person who is suspected of having poor work habits, a low level of educational skills, and are perceived to require a good deal of supervision. When the cost of employment is added to this mix, most employers simply are reluctant to hire these people. One of the more compelling findings of the entitlement program is that if properly structured an effort of this sort can go a long way in changing employer attitudes. However, it should be said that availability of and the level of a wage subsidy was a very important factor in the willingness of employers to initially involve youth. A 100% wage subsidy resulted in three times as many employers participating than a subsidy of 50%. Yet, once enrolled, it became clear that employers became increasingly enthusiastic about their involvement with the Youth Incentive Program. Only 17%, on an annual basis, ceased their involvement with the program and over half specifically requested replacements. Twenty percent hired youth on a full-time basis even when the subsidies ran out. These figures show that changing impressions through experience is a very powerful way to fundamentally change the attitude of employers. Equally important, is that many employers who participated in YIEPP came away with positive feelings. This can only lead to increasing the willingness among employers in the community at large to give disadvantaged young people a chance.

With respect to H.R. 5017, I am somewhat dismayed by the fact that the full wage subsidy is limited only to six months. In some cases it will take considerably more time that six months to get over the attitudinal hurdle and it may well be that placing limits on the subsidy will have a discouraging rather than an encouraging effect.

But, a second provision of the bill which disturbs me more is the requirement that youth be paid the prevailing wage. Although the language contained in H.R. 5017 essentially duplicates that provision contained in the original entitlement program, I can only say that I did not like being forced to accept these provisions then, when YIEPP was initially enacted, and I do not like it now.

In my view, the barriers to hiring young, unskilled disadvantaged youth are already significantly high, without contributing another in the form of a wage barrier. In the proposal I introduced in April of 1977, H.R. 6044, I included a provision which allowed for 85% of the minimum wage to be paid. I would still recommend such an approach. Not only would it provide for more job opportunities and open up the possibility of greater number of employers becoming involved, it would increase the prospect of the youth's chances to obtain permanent employment. If the Congress is sincerely concerned with addressing the problems of youth unemployment, it should adopt a youth opportunity wage as part of the Fair Labor Standards Act. The fact is that the cost of hiring has constantly been increasing, particularly with the recent addition of added Social Security requirements. When faced with these cost concerns, the employer will almost always opt against the young person who has few skills and little attachment to the labor force for an older, more experienced worker. Of all the provisions on the books now, nothing is more pernicious to the ability of youths to find jobs than the minimum wage and the attendant requirements on employers and, in my view, this bill continues a very bad precedent which flies in the face of reason and goes in precisely the wrong direction.

A third finding, which was raised in a subsequent analysis by the General Accounting Office, indicated that one of the most difficult problems encountered in YIEPP was operational. This, in large part, derived from the fast start-up time of the program. I would hope that this not be repeated should this bill become law. These problems also stemmed from the difficulty program operators encountered in obtaining cooperation from the schools. While H.R. 5017 does provide for some incentives to the schools, by allowing them to offset some of their additional costs, it is unlikely such a reimbursement will elicit the full cooperation needed to truly reach the large number of drop-outs that currently exist.

Finally, a fourth, more general concern is that the original program involved an extraordinary amount of management oversight, both by MDRC and by those who elected to participate. It is unclear how much of the success of the program can be attributed to the so-called Hawthorne Effect, which is that experimental programs tend to do better simply because they are experimental. Many of the management problems that did arise received prompt and serious attention by all the participants, because of their great desire to see this program work. Although it is true that the operational design of the program reduced flexibility somewhat, the management problems should not be underestimated. Ultimately, only the strongest service delivers who have established good working relationships with the school system will be able to handle a program of this complexity.

Mr. Chairman, it is very difficult for me, after reviewing the MDRC results, not to be totally enthusiastic in support of the continuation of the youth incentive approach. But I must conclude on a note of caution. Perhaps, I am discouraged by the fact that there appears to be so little support outside of MDRC and some of the program operators for continuing this effort. Maybe it is that everyone is reluctant to support any addition to the budget at a time when the deficit is so large. But, I believe we need to find out a good deal more about what it takes to address the youth unemployment problem and particularly school drop-outs before moving along with a repeat of the past. For while we have learned a lot under the youth incentive entitlement program and believe it was an extremely beneficial process, it is clear that it by itself cannot do the job. Until we find out what other efforts need to be made, whether it be in the schools or in the application of other Federal and State and local programs, such as the Job Training Partnership Act, we may be no closer to dealing with the drop-out issue three years hence than we are today.

Mr. JEFFORDS [presiding]. I want to extend the apologies of the chairman. He had to be out for 5 minutes and he will be back.

First of all, it is good to see you back. I commend you for your work in this area. I want to say I have followed your leadership up to a point as I had to decide this year whether or not to run for Governor.

Mr. SARASIN. Well, that is the point; you should not continue to follow me.

Mr. JEFFORDS. But now I see you out there looking 10 years younger than you did when you were here. I think probably I should have followed that route, too, and gained 10 years.

I want to thank you for your testimony. I have some questions. First of all, I do remember and we all recognize the tremendous role you have played in getting the YIEPP's and YEDPA's into being.

I note in your original bill you included also 14- and 15-year-olds. This bill does not and I wonder whether you feel it is important with these kind of programs to also include a 14- and 15-year-old.

Mr. SARASIN. I think it is. I guess the answer has to be yes. The reason we put 14- and 15-year-olds originally in the bill was because we felt very strongly that that is the time or age period that they are thinking about dropping out of school and if they can see an alternative that is better than dropping out of school, then perhaps they would take it and that was one of the tests we had hoped to get and answer to.

It is still important to try and do that. But by the same token, there are not so many dollars to go around and if the goal is truly to keep kids in school, because we know it is important over the long term for them and the community at large, then maybe we have to focus a little more strongly on the 16- to 19-year-olds whether the crisis is greater, but if the dollars were available and the numbers really justified it, certainly 14- and 15-year-olds should be part of this program, clearly not at the prevailing wage and not even at the minimum wage.

We run a whole bunch of programs in the Government, educational work-study programs with stipends and that was the original intention behind the original bill, and I think we could do a great deal more today if we would get back with that concept of providing stipends as payment in this program. We certainly can help greater numbers of people.

Mr. JEFFORDS. It seems to me from the previous witnesses that we would be comparing apples and oranges. If you gave an employer a chance of having a completely subsidized youth job or someone you could hire at a youth opportunity wage, which would you prefer, and I was not at all surprised at the answer that the employers would prefer the totally subsidized wage.

I think what you are saying, like the Council of Black Mayors is saying, is that you are trying to put youth, particularly minority youth, on a par, not really at an advantage, especially taking into consideration the employers' risk by hiring an untrained person. Is that basically the theory of the youth opportunity wage?

Mr. **Sarasin**. As a practical matter, look at the supplemental views of the report that accompanied the original Youth Incentive Entitlement Program in 1977. I made some comments then, although I have no idea what the changed numbers would be now, but prevailing wage for parking lot attendants in California was $4.85 an hour. The views listed other prevailing wages for entry level jobs that far exceeded minimum wage.

That is not what we are trying to do. We are trying to provide some dollars for young people who are in danger of leaving school because we know it is important for them to stay in whether they realize it or not. To do this it is not necessary to pay the prevailing wage and it should not be.

Obviously, the MDRC study pointed out very clearly that if you take away the subsidy you end up with a disinclination to participate. But the wage here is paid not by the employers but by the taxpayers and if we can make those dollars work for the benefit of more people, that is in the greater interest of the taxpayer and the recipient.

I just do not see the logic for paying the prevailing wage, whether or not you put the young person at an advantage over his peers. If there was a criticism of the earlier program it was that when the kid graduated from school he got a pink slip. He was out of the program and his contract was over.

Now you have given him an expectation that he is entitled to this prevailing wage in a market that is not really ready to hire him at that wage and I think that creates a serious disappointment and disillusionment.

Mr. **Jeffords**. I certainly agree with you.

In our summer youth employment programs now we require the minimum wage as a wage for summer youth employment. The situation is that we have literally millions more youth who are eligible and that we would like to see participating in the youth programs than we have money available for. I wonder whether you feel it would be an advantage to reduce the summer youth wage to something around $100 a week? We could hire with existing funds something like a quarter of a million more young people than we will this summer if we pay the minimum wage.

Do you think that is an advantage?

Mr. **Sarasin**. I think it is a great advantage. Clearly, we are trying to accomplish something with the summer youth program and with this program. We are not talking about a career. We are not talking about taking a young person and putting him in a slot where he is going to be for the rest of his life. We are trying to give him a taste of work experience and let him learn some skills to make him more valuable in the future.

I have said this for years. If the only skill he learns is to dress properly for the job and show up for work on time, that is a tremendous skill and something he perhaps did not have before. The same concept is true with the summer youth program.

If the skill that is learned is not how to rake leaves or whatever the work is with the program but to show up for work on time and dress properly for the job, that is a skill that can be moved into toward any other opportunity. And certainly a stipend or $100 a week or whatever the numbers would be, or however you want to describe it would be more than an adequate way to solve it.

You still have thousands of kids who wanted to sign up for the program and would get something out of it. If you are trying to use the taxpayers' dollars wisely, then that is the way to do it.

Mr. **Jeffords**. Thank you, Mr. Chairman, for allowing me to fully take advantage of this witness while you were out of the room and now you can try yourself.

Mr. **Hawkins** [presiding]. I trust both of you, Mr. Sarasin.

Mr. **Sarasin**. We managed to agree on a few things.

Mr. **Hawkins**. That means I disagree.

Mr. Owens.

Mr. **Owens**. Mr. Sarasin, on the subminimum wage, let me disagree. First of all, I think we are mixing apples and oranges and bananas and the conversation shifted from summer employment for youth implying very young youth, I think still in school, and the advisability of paying them $100 a week, which I support, but as a stipend I think we should go back to stipends and call it a stipend; but for older youth who are either dropouts or still in high school, but very much in need of income to help stay in school, the subminimum wage discussion that previous speakers spoke of, a difference between a subminimum wage proposal as it would impact on the disadvantaged youth versus youth in general, and I did not explore the definition.

I just assumed when they talked about disadvantaged youth, they are talking about youth who either have to support themselves or they are helping to support their families. To have a subminimum wage for them does not help with the basic problem of survival. The minimum wage is not so high that it meets the standards set by the Department of Labor in terms of what is needed to survive. People who are working at minimum wage are falling into the poverty category.

So, what are you doing to improve the whole atmosphere of hopelessness? There is an atmosphere of hopelessness which leads to dropouts in high school and leads to the failure of youth even to apply themselves on certain kinds of jobs because there is nothing to look forward to. If all a youth has to look forward to is growing up and becoming an adult, where he will be displaced by youth who are more desirable to the labor market because of the fact that they can be hired at subminimum wage, how do you deal with the problem of hopelessness? The adults are going to be replaced by those same youth that you are able to employ at the subminimum wage.

Mr. **Sarasin**. Congressman Owens, I think there is no question we disagree on the subject. There is also no question that there is not anyone who will argue that raising the minimum wage will not displace large numbers of workers. Every time the minimum wage is raised you displace large numbers of workers. We have raised the minimum wage continuously over the years. We have displaced more and more people. We have created a bigger pie in the sense that there are more people working today than ever before so that new jobs are being created.

It is not the statistics situation but we also have a greater unemployment level for young people and there is no question we have priced them out of the market. Now if we are serious about trying to do something for those people. We are saying this; they cannot get a job when they are 16 and 17; we have marked them for life. We have created a situation where they are really never going to be successful except for the exceptional case. So if we are really serious, we have to say what can we do to get these people back in the job market? What can we do to encourage employers to hire somebody they view as a marginal worker? How do we get the ushers back in the theaters and the bag boys in the supermarkets and all the other entry level jobs that used to be out there that are not any more and the only way you are going to do that is to provide a youth opportunity wage.

We see that, for example, when we try to target employment for some groups, the targeted jobs tax credit is an incentive to employers; a reduction of cost to the employer to hire particular groups of people that Congress has identified as being worthy of special advantage, convicted felons, disadvantaged youngsters, economically and educationally disadvantaged and several other categories, veterans and so forth.

It worked because there is an incentive to create marginal jobs. Is there a displacement? Probably some. But the only way you can justify the statement I believe, the statement that you make when you say you are going to get rid of someone, to hire a cheaper person is to assume that you had a static employment situation, is that no new jobs are ever created and the only way to put a young person in at a lower wage is to fire somebody who is already there.

That just is not true. We are not living in a static situation. It is an expanding job economy. How do we encourage more jobs? We do it by making the price of that labor sensible to the person who is going to have to pay it.

There is no question in my mind that a youth opportunity wage would work and work dramatically and I think certainly the recent statement by the Council of Black Mayors recognizing that and saying that, yes, we have too many minority youth on the streets. They are not being hired at any price at least, the price that they are paid at and they are supporting a reduction or a creation of a youth opportunity wage at $2.50 an hour and I think they are on exactly the right track. I think we will be amazed and pleased with the results that that is creating.

Again, you are talking about a limited period of time that these people are eligible to be paid that wage. It is a summer type program, certain age restrictions and so forth. I can see no objection to going that way because everything else we have done has been wrong. We have denied people the opportunity to get the first introduction into the world of work.

I am sorry I took so long to answer your question.

Mr. **Owens**. No further questions, but I would like to add for the record, Mr. Chairman, that the Council of Black Mayors should really be called the Council of Small Town Black Mayors. No major city was represented there. The big urban area mayors did not participate in that decision and most of the mayors of the large urban areas are against the subminimum wage, because the desperate poverty that is rampant in their districts would not be helped by paying people at rates that still do not allow them to survive.

Mr. **Sarasin**. I guess my problem with all of this is you can talk about the desperate poverty and you can say that x number of dollars are needed for an individual to maintain a family of four and a lot of other things, but we are talking about young people whom we are trying to get introduced to the world of work. Is the alternative no job? And I think the alternative to a youth opportunity wage is no job, not a job at higher pay, no job.

It is also my understanding that Mayor Barry of Washington is one of the people involved in this process. I may be wrong. Since I spend most of my time here, I would have to say that this is a city of pretty good size. But the program I think is absolutely essential if we are really serious. If you are talking about the position that I think the labor unions have taken. They gave a lot of lip service to youth unemployment and then created the barriers to prevent the kids from being hired, then fine, but if you are serious about providing the opportunity for young people to get a job as opposed to no job at all, then the youth opportunity wage is the way to do it.

Mr. **Hawkins**. Ron, I have had quite a bit of experience with this idea of subminimum wage. It seems to me that it is faulty on several scores. To me, when you say it is subminimum, you are talking about a minimum which I deem to be too small itself. The minimum wage in 1938 was 25 cents and from that time on we have had 15 raises in the minimum wage and despite all of these raises, the value of the minimum wage today, that is in 1983, $3.35 works out to only 35 cents in terms of real dollars.

So you are not talking about $3.35. You are talking about a minimum wage that really adds up to 35 cents despite 15 raises. And even in 1963, it was 38 cents and that is when the minimum wage was $1.25. This means that the minimum wage has not kept up with the cost of living. I cannot imagine anybody's output being lower than 60 cents.

Mr. **Sarasin**. I do not really think, Mr. Chairman, you can refer to it as 60 cents. We are talking about a minimum wage in today's dollars related to every other dollar in today's economy. Whether it has kept up with inflation or not I am not sure is important. I think you have to say that we have priced a segment of the population out of the market. We have just made it economically disadvantageous to hire that person.

If we want to do something about that and expand job opportunities for these people who are not strongly sought after by the employer community, then I think you have to adjust their wage expectation and when you are looking at a lot of young people they are not interested or do not need more dollars to get that first introduction. That can sound very harsh.

There are certainly a lot of people who would need it and we hope they would be able to find a better opportunity, but they are not going to find any opportunity at all, and we know across the rest of their lifespan they are not going to have a good opportunity unless they can get started from the world of work when they are 16 or 17 years old they just do not set the pattern for the future.

Mr. **Hawkins**. Well, if we were to pass the bill under consideration, you would put 1 million of them to work at a cost of $2 billion. Now that seems to me to be a much more desirable way to go because they will be trained and they will be adding other services and they will have meaningful jobs. It is pretty obvious we can employ them. We have plenty of needs to employ them and we would put them to work and at the same time give them real training.

I do not think that McDonald's is training them, to be very frank with you, and none of the other fast food places, I call it junk food places, is giving them the type of training they need.

Mr. **Sarasin**. I call it my employers, Mr. Chairman.

Mr. **Hawkins**. I take back the junk food, but I have a diet problem and I cannot eat that type of food.

Mr. **Sarasin**. I would have to disagree that a kid who works at a Wendy's or McDonald's is not being trained for something.

And again we are not or should not be necessarily talking about careers. When you want to identify groups of people as we have under targeted jobs categories as you do under this bill, I think it is important because there is a perceived need to do something greater than the market will be doing for this group.

I do not have any objection to that. I do, when you say that the feds are going to pay a prevailing wage or even a minimum to the young people who come in under the program. You can still target this group with a government program and hit a heck of a lot more of them if we are talking about paying a stipend or a youth opportunity wage rather than a prevailing wage or even minimum. I don't have a problem targeting groups of people who need special help.

I am not saying, do not have any of these programs but just lower the wage to solve all the problems.

Mr. **Hawkins**. What is wrong with the Youth Incentive Entitlement Program that you are so active in sponsoring and getting on the statute books. Don't you think it has been a very successful program?

Mr. **Sarasin**. I do. I think it accomplished, the bill that we put together in 1977——

Mr. **Hawkins**. Why don't we expand it?

Mr. **Sarasin**. Because what it accomplished was to test a variety of theories.

Some tested better than others. As I mentioned, the testimony I do not think we reached the drop out category as well as we should have and we may not know why yet. That should be explored a little further.

I also mentioned that we should be looking at the school cooperation to make the program work. That was a weak part. Basically the program was very successful but that does not mean you should just pick it up and replicate it again without learning some of the lessons of the past.

As you recall, Mr. Chairman, I did not agree with prevailing wage to start out with. In my original bill, I had a provision for 35 percent of the minimum which I thought was more than adequate and I believe that today to provide more opportunities for more special people.

That is the point of that argument, but on balance, I certainly would say that the program did what it was intended to do, which was to test some theories and not solve all problems.

Now I think it is time to go back up and examine some of those areas where the testing fell short of it. Some worked out well, but in some areas the testing fell short. Before we just simply replicated. Should not the Congress be spending some time trying to determine what went wrong and what can be done better to improve those areas where there was some shortfall?

Mr. **Hawkins**. Well, I think we overlooked the fact that the program operated under very adverse situations. Since 1981, it would be doubtful that any jobs program worked as well as it should have because we have had the most devastating recession in the history of this country since the 1930's. And not only the youth including minority youth found it difficult to get jobs, but adults who have worked all their lives and are highly skilled and highly educated, motivated and everything else lost their jobs.

Now in the face of such individuals losing their jobs it is pretty difficult to say that just reducing the minimum wage for the youth is going to solve the problem. The problem is that we are not creating enough jobs for anyone and consequently the youth at the end of the queue are the ones least in demand and under that condition it is not the fact that they cannot make the minimum wage; there just are not enough jobs available.

So I think that is the cause of the difficulties. To say that we cannot as a nation upgrade young people so that they can earn the minimum wage, as low as it is, they certainly should be able to be upgraded to earn more than that. So it seems to me we are putting the emphasis in the wrong place. We are going to downgrade the youth rather than upgrade the labor market so that we create the jobs that are at living wages.

Mr. **Sarasin**. The jobs that are to be created will be created in the private sector, basically.

The only way you are going to create jobs for an awful lot of people is to get that price at a reasonable level and that is not what is occurring today for young people. As I mentioned to Congressman Owens, every time the minimum wage has been raised, the very people we are talking about here, the ones with the fewest skills have the greatest problem in trying to deal with that change.

So if we are really serious we had better look at what we are doing in pricing these people out of the market. Perhaps if we had not priced them out of the market, we would not be looking at this kind of a program because every time we have raised it we have seen a larger and larger group of people who cannot get that first introduction to the world of work.

The statistics prove that that is important. They cannot get started right and they are going to be in trouble for the rest of their lives. So it is very important, I think, that we go back and question all these things we have taken for granted that you have to keep raising the wage for certain groups of people.

Maybe we have been wrong and I happen to think we have been.

Mr. **Hawkins**. Well, I think you certainly make a cogent case for your group and we certainly want to express our appreciation of your splendid presentation today and I only regret that you are not back on this committee.

Mr. **Sarasin**. Mr. Chairman, it is a pleasure to be back here. I do appreciate it.

Mr. **Hawkins**. Fine. Well, thank you very much.

The committee will have to take a 5-minute recess. We are still voting and the Chair must vote and we will try to make it not more than 5 minutes and the other witnesses will be heard from.

Thank you.

[Recess.]

Mr. **Hawkins**. The committee will come back to order.

The next witnesses consist of Mrs. Barbara Blum, president of the Manpower Demonstration Research Corp., and Ms. Marian Pines, commissioner, Neighborhood Progress Administration.

We certainly appreciate the attendance of both of you.

Ms. Pines, you have been before this committee constantly over a long period of time. We have had the opportunity of visiting Baltimore and have certainly been a staunch supporter of yours and all that you have tried to do.

Mrs. Blum, we are not quite as acquainted with you, but we certainly look forward to your testimony this morning, and both of you may proceed.

All of the testimony will be entered in the record in its entirety.

STATEMENT OF BARBARA BLUM, PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORP., NEW YORK, NY

Ms. **Blum**. I think that I will begin as the speaker, and if it is all right with you, Mrs. Pines will carry on.

Mr. **Hawkins**. Thank you.

Ms **Blum**. Mr. Chairman, I appreciate this opportunity to appear before the Subcommittee on Employment Opportunities in order to discuss the issue of youth unemployment and to assist the committee members in their efforts to develop an appropriate legislative response to this problem.

Although I am certainly a newcomer before this committee and others involved with the labor and employment issues, I developed a very great interest in the issues of employment, particularly youth employment, while serving as commissioner for social services in New York State.

The continued national focus on this issue, to which Congressman Hawkins' leadership has been so important, is encouraging. It is also gratifying that Congress and others are attempting to utilize fully the lessons from a major association experiment, the Youth Incentive Entitlement Pilot Projects. First let me describe very briefly that experiment and MDRC's role in the demonstration program.

Youth Entitlement was one of the six major programs authorized by Congress in 1977. The program's aim was to help reduce the high rate of youth unemployment through a very large-scale and immediate job creation effort and to learn about the effectiveness of its approach through a carefully designed evaluation.

The Youth Entitlement Project contained several key issues.

It was targeted to low-income youth who were between 16 and 19 years old.

Eligible youth were offered minimum wage jobs on a part-time basis during the school year and on a full-time basis in the summer.

In the demonstration areas, jobs were offered on an entitlement basis; all eligible youths were thus entitled to be served.

The jobs were school-conditioned, requiring the participants to be in high school or an equivalent program and to maintain attendance and performance standards.

In most instances, employers were offered a full wage subsidy.

Jobs were provided in the public and nonprofit sectors as well as through private employers.

The program operated from March 1978, through August 1980, in 7 large and 10 small areas under the auspices of CETA prime sponsors.

During the course of the program, 76,000 youths were employed.

MDRC functioned both as the management agent for the Department of Labor, assisting the sites in operational issues, and as the primary evaluator. In this role, much was learned about implementation, operation, and impact.

With regard to implementation and operation, the Youth Entitlement experience provides convincing evidence about the feasibility of mounting a large-scale employment effort for disadvantaged youth.

The demonstration showed that prime sponsors could enroll large numbers of economically disadvantaged youth and provide them with a quality work experience under demanding constraints of time and skill.

Specifically, participation rates were high. Fifty-six percent of youths eligible at the beginning of the program worked in a YIEPP job by the demonstration's end.

Black youths participated at the highest rate of all ethnic groups—63 percent.

The program had less success, however, attracting school dropouts. The participation rate for this group was only 25 percent.

The private sector was an important part of this effort, contributing more than half of the program's 10,000 worksites and 23 percent of the work hours by the last year of the demonstration.

This participation, however, was clearly sensitive to the wage subsidy provided. A special wage subsidy variation experiment showed that employer participation in the program declined markedly at reduced subsidy rates.

Finally, the quality of the worksites was generally high, and no significant differences were found between the public, private, and nonprivate jobs.

Thus, the YIEPP findings make it clear that poor, minority youth do want to work and that large-scale job efforts can link them to employment. The private sector can be an important part of this effort.

What did program operations suggest about another important partner, the schools? Here, the challenges are considerable.

First, standards for school performance and attendance were difficult to enforce. Uniform standards generally did not exist, and there was some reluctance to enforce those that were established.

Second, flexible scheduling was not easy to achieve, and there were few joint efforts to develop the kinds of work-related curricula that could be most relevant to the participants' needs. Such development requires particular effort and resources of its own.

Within this generally successful operational context, it remains crucial to ask what youth entitlement achieved in the major areas of employment, earnings, and schooling for its participants.

With regard to employment, the enthusiasm of eligible youth for YIEPP jobs would be only a partial success if these jobs were simply substitutes for others. This was clearly not the case.

The program had a dramatic impact on the employment rates of these youth, particularly during the school year. Employment for youths in the target area grew from 22 percent to 40 percent, an 88 percent increase.

Employment impacts were particularly large for black participants, for whom school year employment more than doubled. As a result, the gap between black and white employment rates was eliminated, a finding which can also eliminate the notion that minority youth do not want to work.

Improvement was especially strong for black females whose employment increased from half that of white females to a one-third higher increase.

Employment increases were also particularly large for the 15- to 16-year-old subgroup, suggesting that programs may want to consider targeting on this part of the youth population.

Another important question is whether higher employment rates make a noticeable difference in earnings. During the period of operation, YIEPP led to a statistically significant and large increase in the average earnings of its participants—about $11 a week in the school year. In a soon to be published report, this finding is shown to be sustained in the post-program period.

Youth entitlement clearly met a major goal of its authorizing legislation—the improvement of the employment and earnings of low-income youth. In another area—school enrollment—accomplishments were less impressive.

While it was hoped that a job offer would be a sufficient incentive to draw out-of-school youth back into school or an alternative setting and to reduce the dropout rates for in-school youth, the postprogram analysis found no significant impact in these areas. We can only say that negative impacts were avoided.

The youth entitlement experience has provided convincing evidence of the feasibility of implementing a large-scale employment program with a broad range of employers and a high quality of worksites. The findings also suggest areas which should be given additional attention as new programs are designed.

With limited resources, further targeting should be considered, especially to the younger teens whose experience in the earlier entitlement program was a particularly positive one.

Especially important is the need to develop early and meaningful relationships with the education system so that the school-work linkages can be more effectively achieved.

Third, the school dropout population must also be recognized as a group with distinct needs. Programs for this group need to focus more specifically on the relevance of the school experience to work. MDRC will be exploring this important area through a new demonstration focused on out-of-school youth.

Youth entitlement and other programs have contributed to a broad base of knowledge on employment and youth. With continued congressional interest, we can continue to explore open questions while, at the same time, responding to the immediate need for jobs. The Youth Incentive Employment Act currently under your consideration is clearly a step in this direction.

Recognizing that full entitlement may be neither feasible nor desirable within a single program model, it targets to geographic areas of greatest need. It also introduced a variation in the full subsidy approach of the original YIEPP program with a 75-percent subsidy rate after 6 months. This approach should tell us more about private sector interest in youth programs.

The legislation also recognizes the new administrative reality of JTPA and the importance of coordinated program development. These approaches should help Congress take another important step in meeting the needs of the Nation's youth.

I just want to add to what Dr. Hahn said that the experience with the JTPA's and the SDA's clearly shows that this sort of approach is a very necessary one at the present time.

The visibility that a bill such as this can bring and the vitality that it can inspire at the local level are very important.

I would like, before I close, to comment also on the minimum wage issue. It seems to me that indeed, as Congressman Owens mentioned, we were muddling a number of issues in that discussion, and I would like to suggest that when we talk about availability of jobs in the work force, that we must consider the economy, we must consider the movement of women into the work force, and we certainly have to consider the demographic change which has brought this wave of young adults toward the work force, and that, of course, will change in a rather short period of time.

I would believe that the minimum wage is a sound investment, that it brings simplicity of administration to the program that you are proposing, and would hope that we would not get caught up to any great extent in a discussion of stipends for this particular program.

At any rate, the approaches that you have recommended could certainly help Congress take another step in meeting the needs of the Nation's youth.

Thank you.

[Prepared statement of Barbara B. Blum follows:]

PREPARED STATEMENT OF BARBARA B. BLUM, PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORP.

I appreciate this opportunity to appear before the Subcommittee on Employment Opportunities to discuss the pressing issue of youth unemployment and to assist the committee members in their efforts to develop an appropriate legislative response to this problem. During the relatively short time that I have served as President of the Manpower Demonstration Research Corporation, I have testified twice before Congress on this issue and have spoken many times about the Youth Incentive Entitlement Pilot Projects (or YIEPP) which MDRC was privileged to manage and encouraged by the continued national focus on this issue—to which Congressman Hawkins' leadership has been so important. I am also gratified that Congress and others are attempting to utilize fully the lessons from a major social experiment—the Youth Entitlement Program.

First, let me describe that experiment and MDRC's role in the Demonstration program.

Youth Entitlement was one of four major programs authorized by Congress in 1977 by the Youth Employment and Demonstration Projects Act (YEDPA). The program's aim was to help reduce the high rate of youth unemployment through a large scale and immediate job creation effort and to learn about the effectiveness of its approach through a carefully designed evaluation.

YIEPP contained several key features:

It was targeted to low-income youth who were between 16 and 19 years old.

Eligible youth were offered minimum wage jobs on a part-time basis in the summer.

In the demonstration areas, jobs were offered on an entitlement basis—all eligible youths were thus entitled to be served.

The jobs were school-conditioned requiring the participants to be in high school or an equivalent program and to maintain attendance and performance standards.

In most instances, employers were offered a full wage subsidy.

Jobs were provided in the public and non-profit sectors as well as through private employers.

The program operated from March 1978 through August 1980 in seven large and ten small areas under the auspices of CETA prime sponsors. During the course of the program, 76,000 youths were employed.

MDRC functioned both as the management agent for The Department of Labor, assisting the sites in operations issues, and as the primary evaluator. In this role, much was learned about implementation, operation and impact.

IMPLEMENTATION AND OPERATION

The Youth Entitlement experience provides convincing evidence about the feasibility of mounting a large scale employment effort for disadvantaged youth.

The demonstration showed that prime sponsors could enroll large numbers of economically disadvantaged youth and provide them with a quality work experience under demanding constraints of time and scale.

Specifically:

Participation rates were high. Fifty-six percent of youths eligible at the beginning of the program worked in a YIEPP job by the demonstration's end.

Black youths participated at the highest rate of all ethnic groups (63 percent).

The program had less success, however, attracting school drop outs. The participation rate for this group was only 25 percent.

The private sector was an important part of this effort, contributing more than half of the program's 10,000 worksites and 23 percent of the work hours by the last year of the demonstration.

This participation, however, was clearly sensitive to the wage subsidy provided. A special wage subsidy variation experiment showed that employer participation in the program declined markedly at reduced subsidy rates.

The quality of the worksites was generally high and no significant differences were found between the public, and non-private jobs.

Thus, the YIEPP findings make it clear that poor, minority youth do want to work and that large scale job efforts can link them to employment. The private sector can be an important part of this effort.

What did program operations suggest about another important partner—the schools? Here, the challenges are considerable.

First, standards for school performance and attendance were difficult to enforce. Uniform standards generally did not exist and there was some reluctance to enforce those that were established.

Flexible scheduling was not easy to achieve and there were few joint efforts to develop the kinds of work related curricula that could be most relevant to the participants' needs. Such development requires particular effort and resources of its own.

PROGRAM IMPACTS

Within this generally successful operational context, it remains crucial to ask what Youth Entitlement achieved in the major areas of employment, earnings and schooling for its participants.

EMPLOYMENT

The enthusiasm of eligible youth for YIEPP jobs would be only a partial success if these jobs were simply substitutes for others. This was clearly not the case. The program had a dramatic impact on the employment rates of these youth—particularly during the school year. Employment for youths in the target area grew from 22 percent to 40 percent, an 88 percent increase.

Employment impacts were particularly large for black participants, for whom school year employment more than doubled. As a result, the gap between black and white employment rates was eliminated, a finding which can also eliminate the notion that minority youth do not want to work.

Improvement was especially strong for black females whose employment increased from half that of white females to a one-third higher rate.

Employment increases were also particularly large for the 15–16 year old subgroup suggesting that programs may want to consider targeting on this part of the youth population.

EARNINGS

Another important question is whether higher employment rates made a noticable difference in earnings. During the period of operation, YIEPP led to a statistically significant and large increase in the average earnings of its participants—about $11 a week in the school year. In a soon to be published report, this finding is shown to be sustained in the post-program period.

SCHOOL ENROLLMENT

Youth Entitlement clearly met a major goal of its authorizing legislation—the improvement of the employment and earnings of low income youth. In another area—school enrollment—accomplishments were less impressive.

While it was hoped that a job offer would be a sufficient incentive to draw out-of-school youth back into school or an alternative setting and to reduce the dropout rates for in-school youth, the post-program analysis found no significant impact in these areas. We can only say that negative impacts were avoided.

LESSONS FROM THE YIEPP EXPERIENCE

The Youth Entitlement experience has provided convincing evidence of the feasibility of implementing a large scale employment program, with a broad range of employers and a high quality of worksites. The findings also suggest areas which should be given additional attention as new programs are designed.

With limited resources, further targeting should be considered, especially to the younger teens whose experience in the Entitlement program was a particularly positive one.

Especially important is the need to develop early and meaningful relationships with the education system so that the school-work linkages can be more effectively achieved.

The school dropout population must also be recognized as a group with distinct needs. Programs for this group need to focus more specifically on the relevance of the school experience to work. MDRC will be exploring this important area through a new demonstration focused on out-of-school youth.

Youth Entitlement and other programs have contributed to a broad base of knowledge on employment and youth. With continued Congressional interest we can continue to explore open questions while, at the same time, responding to the immediate need for jobs.

The Youth Incentive Employment Act currently under your consideration is clearly a step in this direction. Recognizing that full entitlement may be neither feasible nor desirable within a single program model it targets to geographic areas of greatest need. It also introduces a variation in the full subsidy approach of the original YIEPP program with a 75 percent subsidy rate after six months. This approach should tell us more about private sector interest in youth programs. The legislation also recognizes the new administrative reality of JTPA and the importance of coordinated program development. These approaches should help Congress take another important step in meeting the needs of the nation's youth.

Mr. HAWKINS. Thank you, Mrs. Blum.

Mrs. Pines.

STATEMENT OF MARIAN PINES, COMMISSIONER, NEIGHBORHOOD PROGRESS ADMINISTRATION, BALTIMORE, MD

Ms. PINES. It is certainly nice to be back here before your committee, Mr. Chairman. It feels like coming home again.

We welcome you back to Baltimore, your old alumni.

Mr. HAWKINS. I have a certificate, the last time I was over there. I wonder whether you have any other certificates to give out.

Ms. PINES. We will be having another graduation ceremony, and we will be glad to have you come.

Mr. HAWKINS. I may get a doctorate.

Ms. PINES. I would like to comment a little bit. Baltimore was probably the largest site of the Youth Incentive Entitlement Program and learned a lot from administering it and from really operating the whole program and then, retrospectively, thinking back, what did it accomplish.

I think, as so many people have said today, you can talk about the minimum wage; you can talk about what the barriers to employment are. I think that the major problem we have is this myth that kids don't want to work and a perception on the part of employers that they are nonproductive and cannot be made productive, and if one thing this program accomplished, and anything else that we tried to do, it is to destroy those myths.

It is showing the outpouring of young people who wanted to get into this program appalled everyone. It exceeded all of our expectations, and we many times were running 95 percent of capacity in that program.

So once and for all, I think we laid that myth to death. Kids do want to work if given the opportunity to work. There is that sense of self-worth and participation in the life of the community that so many of these kids do not have, that this program was able to give them.

Through the life of this program, 18,000 Baltimore City kids participated in this program. It had a significant effect on them psychologically and economically and socially, and I can't overstate what that did.

I can't overstate what it did to employers in terms of seeing this wave of kids who, given the opportunity and given the good supervision, participated productively in the workforce and in the community.

So given the chance and given the break, these kids can do something, and I want to commend you and your committee for keeping this concept alive and not assuming that because it was laid to rest in 1980, it is going to go into history forever. It should to be brought back on the agenda of this country, and I want to commend you for bringing it there.

I think what we learned also is that these kids have significant barriers to employment. That is a cliche, but we found that a third of these youngsters had kids of their own. A third of them had prison records. They are encumbered by problems, and breaking into the workforce is not an easy thing for them.

They are so overwhelmed with so many personal problems. It is in the matter of getting up, getting dressed, and walking out, and getting carfare. There are overwhelming personal problems that 16- and 17-year-old kids have to cope with that many adults don't have the wherewithall to cope with, and having the resources to deal with some of those barriers and recognizing that is an important part of this legislation.

I'm glad that you are allowing in your 70 percent some addressing of the resources to deal with some of those problems, because I think they are significant. It isn't just the availability of the job; it is getting everything together to take advantage of that.

We in Baltimore focused on drop-outs. From the very inception, we decided that would be the group that we would try to go after and see if the availability of a job would attract kids back to the educational process.

What we found is, it did, but not back to the traditional educational process—that we had to develop alternative educational structures, sites, designs that were flexible, that had a different environment and perhaps a different setting, but 17- and 18-year-old kids who had dropped out of the eighth grade didn't want to go back to that eighth grade setting. They didn't feel comfortable there, and they didn't feel that that would be responsive to their needs.

So we experimented—as you can do in these wonderful research projects—with about eight different alternative educational models: flexible scheduling, 2 hours in the morning, and a period of work, and 2 hours in the afternoon.

Harbor City Learning got expanded greatly, which was a 2-week in-classroom, and 2-week in-work assignment, but we found great holding power to the alternative educational models. We did not find holding power of getting kids back into traditional schools from which they dropped out.

We found that a meaningful work experience, whether it be in the private side, the public side, or the private, nonprofit side, whatever, and I don't say that leaf raking is necessarily good, bad, or indifferent. I think all work has dignity, and I don't think we should be perjorative about whatever the work is.

All of our communities need all kinds of productive participation, and we have tried to teach kids the dignity and the worth of work and earning a day's pay, and whatever it was, it had dignity to it, and it was well supervised. I can't emphasize that enough.

One of my concerns in talking with your staff in terms of putting this bill together is that we have resources to pay for supervisors. City agencies and private employers, if you want them to do a good job with these kids and want them to have the kids really learn something, have got to be able to supervise them closely.

It does no good to a private employer to say, "Yes, I'll take three kids and 100 percent subsidy," and those kids just stand around and try to find a place for themselves. They have to get some careful supervision and careful integration into the workforce. That costs money. It is a very worthwhile investment. Unless we make that investment, I don't think the rest of our money is going to be well spent.

So I really urge you to look again at the break in funds and how much we are allocating for supervision. It is key. It has been key to everything we have done in Baltimore. Mayor Schaefer insisted on it before I ever thought about it, and his instructions were very good.

Even in our summer program, we have one supervisor for every six or seven kids, because we want it to be a learning experience, and it can't be if it's just tacked on to an existing work experience.

We got rid of the myths. I think that's what we have to do with these programs. I think the myths about people are the greatest contributor to the unemployment of minority youth, much more so than anything that has to do with the minimum wage.

It is not going to make a heck of a lot of difference to an employer if he pays you $2.50 or $3.35 if he really doesn't think you are going to do anything for him. It's getting over that myth and selling the employer on the potential productivity and usefulness of this group of youngsters that is going to make the difference, and I would rather put my emphasis on getting in that door, getting access to those jobs, getting good supervision, and paying our way in through subsidies and tax credits than doing anything monkeying around with minimum wage.

So I support all of those discussions that have taken place.

I want to reemphasize what Barbara Blum said; we proved that we know how to implement; we can implement.

There is one problem. The schools see their job as educating kids. When we put a program like this in, it becomes an extra administrative burden on them, and telling them about attendance and everything else. They simply couldn't comply.

We had to end up putting staff in the schools in order to assist them with administering this program and giving us the kind of information we needed about attendance and performance and getting the kids to the work site.

We had Public Service Employment back in the good old days, so of course we could put extra resources in the schools. Please bear in mind that if we are lucky enough to get this program implemented, we are not going to have those resources to put in the schools, so I think again—and the schools don't have them; certainly the big city school system doesn't have those extra resources to begin to help with the monitoring, and the implementation, and the administrative sides of this program.

So think about, in the cost categories, what we might be able to adjust, and be able to put in that work site supervision and the monitoring capability that the schools are going to need, because I don't quite see that in there yet.

On the prevailing wage, I hate it. Why do you have to write it into all Federal legislation? It makes it very difficult. It is unrealistic. Let's stick with the minimum wage.

Let's get the jobs meaningful and get the kids to have a good productive first work experience. Let's get them with their foot through the door. That's the biggest problem—getting access to those jobs—and then I think we could administer the program well.

I support, encourage, all your activities. I hope that you get this bill through. If you don't get it through this year, keep at it. Keep fighting for it. I love seeing it come directly from you to the cities.

Any State people around? I hope you can stay in there with that. Certainly life was simpler when we could deal directly with the Federal Government, though I'm getting along fine with the State of Maryland. I'm not sure all my colleagues across the country are having as good an experience as I'm having. It does make it simpler. Not as much money gets peeled off at another administrative level, and we can put much more money into program activities.

I want to congratulate you once more for your wonderful leadership.

Mr. **Hawkins**. Well, thank you.

I think you made reference to the so-called second dropout—why some of the young people who are persuaded to go back to school dropped out the second time.

May I ask you, Ms. Blum, to react to the same issue, as to why the program seemed to test out that even though it succeeded in getting young people to go back to school, that again they dropped out? That would seem to defeat to some extent one of the purposes of the demonstration itself.

Ms. **Blum**. We have been deeply concerned by that finding, and the very design of the demonstration permits us only to surmise.

We did not have the funds to do extensive surveys with the young people, but I believe that the local operators observed that coming back into the very environment from which there had been reason to leave at an earlier time simply brought the same reaction again.

We at MDRC—as an earlier witness mentioned, and as I mentioned in my testimony, have been so troubled by this finding that we have been working with a number of foundations to gain funds.

We are entering into a pilot stage this year to examine models that might answer some of the questions that these findings have presented us. We believe that there must be a need for much more individualized remediation combined with skills training.

There are not many exemplary programs out there that deal with the older school dropouts particularly, so we hope that we will be able to come back to you next year with some ideas that we may have, and we want very much to keep probing in this area.

Mr. **Hawkins**. So the conclusion was based on an assumption, not because this was a result of an intensive survey itself. You're not so sure just what the actual results would show?

Ms. **Blum**. We are not certain what the results will show. We know that the older the school dropout, the more difficult it is to retain that person in school.

Personally, I have some opinions about that. I think much of our school systems are not very relevant. I've observed them close-hand in New York City and New York State, and what we'd like to do is understand what models might be created that would be relevant, that would connect education with work, that would help people understand the importance of reading and arithmetic in a satisfactory way, and I think in much of our schools that is not occurring.

Mr. **Hawkins**. Ms. Blum, you and several other witnesses before you referred to 14- and 15-year-olds. Now in view of the fact that in the legislation itself, the statutory group was 16 to 19, how was it possible to get these younger people into the program when actually the statute said 16 to 19?

Ms. BLUM. I asked that question, and in my testimony I think I talk about 15- to 16-year-olds.

If the young person's birthday was occurring within the designated year, then the person might enter at 15, and we can go back to the guidelines and send them to you and your staff.

There is evidence that many young people drop out at eighth and ninth grade levels, and this finding we should not ignore. There was something effective occurring with the program.

Mr. JEFFORDS. It's good to see you again. Watching what you were doing in Baltimore probably made more of an impression on me than anything I've viewed in Congress. Probably if I would best say how we could best spend $2 billion, it would be to clone you.

Ms. PINES. Aren't you nice. I thought you were going to send it all to me. The Orioles are winning, too, again; I want you to come back.

Mr. JEFFORDS. You mentioned that you didn't like the youth opportunity wage. You heard Marian testify that the wage was not a good idea. I'd like to hear from you, Barbara.

Ms. BLUM. I would stick with minimum wage. There is a great value to simplicity, and I think that one can get into quite a tangle when you begin to enter the prevailing wage controversy, and as I mentioned when you were necessarily out for a few minutes, I have some of the same questions about the stipend.

I think that we could be creating very large bureaucracies to administer stipends, that the differences are really very modest.

The point that Congressman Owens made about the need that these individuals have, and the fact that they are going to have to purchase some modest clothing and pay for transportation, in my mind, justifies the payment of the minimum wage, particularly if the sites are well supervised and there is a work product coming from these youth.

I also would question whether, if we instituted a stipend program, we might miss the most disadvantaged, because indeed they would be the group who would not be able to enter the program, and the need is just so great among some of these young people.

So I think I would strongly support the minimum wage approach.

Mr. JEFFORDS. And not the prevailing wage approach?

Ms. BLUM. That's right.

Mr. JEFFORDS. Let me pursue that particular area a little further. I asked a previous witness that for this summer, if we were to have a choice to make of admitting, that we only had a certain amount of money available, of putting an additional 250,000 people to work by paying them $100 a week versus $140 a week, would you feel that would be a good trade-off?

Ms. BLUM. I think it should be seriously considered. I think the point again that was made by Congressman Owens about the age differences is an important one. I don't quite know what the break point is, and someone like Marion Pines is going to know a lot more about this than I do.

Ms. PINES. We have always controlled that differently. We always paid minimum wage. We controlled costs by the length of the program and the hours of the week they worked, so that our program, in order to meet the tremendous need—we had to bite the bullet on that 6 or 7 years ago and say, "Well, look, we have x number of dollars. We have so many kids." It would be wonderful if everybody could work 8 weeks or 10 weeks.

I think we are going to have a 6-week program and serve more kids. You can control your costs by shortening your program. You can control your costs by saying, "You work 30 hours a week instead of 37 hours a week." And we have addressed it that way rather than play around with minimum wage.

Mr. JEFFORDS. Of course you could do a combination of both, and if you have an unmet need of three or four times what your resources are, you could even meet more by combining both?

Ms. PINES. Yes, of course you could, if you thought that that was good public policy.

Mr. JEFFORDS. Let me ask—the basic disagreement I have with the chairman is an attempt to create a new program at this time, which I think is very unrealistic, versus trying to do something like targeting, perhaps with additional authority for appropriations to entice people to expand and use section 205 of JTPA with some modifications.

I wondered if you would comment on whether or not we couldn't accomplish a great deal of what we are attempting to do in H.R. 5017 by more emphasis on the use of an existing program perhaps and making it more flexible for the particular group we are talking about.

Ms. BLUM. I would hark back to something Dr. Hahn mentioned in his testimony or when he was answering a question. He mentioned that many of the SDA's and JTPA's seemed not to know how to proceed in terms of creating programs for youth.

I certainly support the flexibility changes that you might recommend, but, in addition, I would suggest that there has been little that has been effectively done with the groups of young people that we are talking about, and there may be a way to take what is being proposed here and present it as a model to the JTPA's and the SDA's in such a way that indeed it is integrated with the changes that you made legislatively, but which would provide the knowledge base and the understanding that many operators need in order to bring these young people into employment training and the workforce.

Ms. PINES. I'm just so glad to see us discussing something that has to do with employment and training legislation. It has been a long time, a long dry spell up here on Capitol Hill, and I would just like to see this kind of concept get a full airing and develop it as thoroughly and completely and thoughtfully as you can, and then, if it seems more appropriate to amend JTPA, so be it. I just think that this bill is strong enough to stand on its own.

Administratively, it may be more feasible down the line to integrate it as part of JTPA. Right now, JTPA is having such problems actually administratively getting its act together that absorbing this immediately right now and opening up the whole legislation to all the issues that could come forward, I'm not sure it is the appropriate time to do that.

So I would urge you to keep your eye on this ball and to get it as fully conceptualized, and get all the ideas you want in it, before you have to compromise it out as part of JTPA.

Mr. JEFFORDS. Thank you.

That's all I have.

Mr. HAWKINS. Mr. Owens.

Mr. OWENS. Well, first of all, Mr. Chairman, I want to welcome my friend and long-time colleague and former commissioner of the Department of Social Services from New York State, and I hope you enjoy your furlough from public service, Barbara.

Ms. BLUM. Very much.

Mr. OWENS. I'm concerned about the testimony of several persons, where they talked about the lack of commitment and cooperation from the schools. Could both of you comment on that?

If you are going to have alternative education operations set up, it would be quite costly. The schools have an apparatus already there, and it seems to me there must be a way to force the issue of them addressing the cooperation with programs of this kind and the initial problem that they create with the poor education that our youngsters receive.

Ms. PINES. Let me try to respond to that.

It is not a lack of commitment. It is a lack of being able to address multiple missions at the same time with very limited resources, and their responsibility is really to, as they see it, to address that broad array of kids who can make it through their structure.

But there are so many kids that can't make it, that can't develop productively within a very tight 8:30 to 2:30 or 9 to 3 classroom schedule, that need a self-paced program, that need a smaller setting, that need the work experience, that it would be wonderful if we could force it, but I've been trying to force it for 12 years.

The first three years at Harbor City Learning, my arguments were not what happened to the kids there. Is this an education program or a manpower program, as if it made a darn bit of difference, but teachers couldn't understand why they were suddenly being asked to do something else.

The whole teacher education process has not trained teachers to think along this. So we are really trying to take a trend and a discipline that has been trained to do one thing, and suddenly saying, "You have another mission"—of course they are committed, and of course they want their kids to be successful, but they see a way of doing it and find it difficult to consider alternatives.

Mr. OWENS. In New York City, there are as many youngsters who don't make it as there are who do.

Ms. BLUM. That is right. It is just about a break-even point, and I think the suggestion that Marian Pines made about teacher training becomes very important. It is my recollection that many, many years ago, when I was in grade school, even I knew that one of the reasons I was being educated was because I might work some day, and I think that some of that has now evaporated and that we really need to take a look at our training programs. That is awfully long range.

There is another approach which is to have some model programs outside the schools. I think there is nothing like creating competition, particularly when the school populations are likely to stay quite low for a period of time, so that some people begin to pay attention to what can be accomplished.

There really are a variety of strategies that probably need to be developed. I agree with that, that we can't just leave the giant education system over there outside of what it is we are discussing.

Mr. **Owens**. Could you address yourself to the question that I think was asked earlier, of the other kind of problems like the tremendous amount of money we spend on correctional and prison services for young people or the teenage pregnancy problem. Did you see any impact, or could you talk about any correlative spending of money in this kind of program?

Ms. **Blum**. Let me just mention that this demonstration came up very fast. Congress acted and implementation began very quickly, and there is a rich, rich data base from the demonstration. But the research design did not accommodate some of the questions which logically are being asked today. So that just, as I had to reply earlier, that we were not able to survey for other purposes, there was not research analysis in the area of criminal activity.

We have done a bit of probing with the data base about teenage pregnancy and have discovered some interesting characteristics in terms of which young women with children were able to continue in school logically. You would have come to the conclusion that young women in the two-parent families with a child were most likely to continue in school, so we have some data like that.

The one demonstration that we did where I know some probing on the criminal activity was done was supported work where it was shown that ex-addicts had fewer contacts after having participated in that demonstration. They were less in contact with the justice system.

But I would hope that in the future, we would have an opportunity to focus in on those questions. There is no question in my mind about what the answers are likely to be, but we do not have data to substantiate it.

Mr. **Owens**. One last question.

The comment I made earlier about the Council of Black Small Town Mayors was not meant to downgrade the black mayors from the places like Tuskegee. However, the shocking fact is that in a rich city like New York, 4 of the 16 poorest congressional districts in the country are located there. Four of the districts which have the lowest of the 10 districts who have the lowest family income, 4 are located in New York City, and the poverty in large urban areas is a kind of desperate poverty which is not able to find the kind of relief in smaller areas where people might have gardens and they might have a number of different kinds of things to relieve it.

What would you say the implications of that phenomena might be on future targeting for this kind of program?

Ms. **Blum**. I think you know that I believe very much in targeting resources, that that is the way that our investments have good outcomes, and I would want to just qualify a bit, because I certainly know some of those areas that you are describing, and they deserve to be among our major targets.

But earlier, the gentleman from Mississippi was testifying, and we currently have a project for teen mothers in Mississippi. We are finding very similar circumstances. You know how low the welfare grants are there. You know how difficult transportation is. We have 11- and 12-year-old girls who will be mothers.

So I would suggest that we target in the urban and rural and wherever else we find the kind of poverty that you are describing, but we should be careful to target.

Ms. PINES. We should not minimize the intensity of rural poverty because the sheer density of the problem in urban areas is so overwhelming. But one of the problems with implementing a program like this in the rural areas is really the lack of access to the jobs and the job opportunities. That was the problem that rural areas had even with public employment programs. The public service employment program is creating the jobs and having the mechanism and the support mechanism to make those jobs work and having people to get to them.

So it isn't that they don't need it. It is just that the implementation is so much more difficult.

Mr. OWENS. Thank you.

No further questions.

Mr. HAWKINS. Mr. Martinez.

Mr. MARTINEZ. I have no questions.

Mr. HAWKINS. Again, thanks to you, Ms. Blum, and to you, Ms. Pines. As usual, you both have done an excellent job, and we are deeply indebted to you.

Ms. PINES. Thank you for allowing us to be here.

Mr. HAWKINS. The final panel will consist of the Youth Employment Coalition Panel. Mr. Stanley Litow, I understand, is substituting for Mr. Sherman. He is the executive director for INTERFACE. The additional witnesses are Mr. James Lock, Vocational Foundation of New York City; and Mr. Jeffrey Newman of the National Youth Employment Coalition.

We are pleased to have the three of you, and suppose we begin with Mr. Newman, of the National Youth Employment Coalition.

STATEMENT OF JEFFREY NEWMAN, NATIONAL YOUTH EMPLOYMENT COALITION

Mr. NEWMAN. Thank you, Mr. Chairman.

I know the hour is late, and we will try to be brief this morning. I will try to summarize the testimony that we have submitted and then let Mr. Lock and Mr. Litow speak for a few moments, and we hope you will ask us questions.

The coalition was created more than 5 years ago by leaders from a handful of national organizations who saw the need to improve and expand job training and employment opportunities for youth, especially disadvantaged youth.

Today more than 30 major organizations make up the core of the coalition. Collectively, our members and their affiliates serve hundreds of thousands of young people nationwide.

The National Youth Employment Coalition firmly believes that our country's strength, security and internal welfare ultimately depend on our youth.

While our economy appears to be improving, there has been no visible effect upon our Nation's youth. The Bureau of Labor Statistics reports that of the 9 million Americans out of work, 40 percent are under 25. There were 55,000 more unemployed teenagers in March than in February and unemployment of black teenagers jumped to 46.7 percent, more than 2½ times that of white teens.

Despite these gloomy statistics, the fact remains that the overwhelming majority of new workers in the future will be women, blacks, and Hispanics. No single piece of legislation can fully address the current need.

We support the targeting provisions in H.R. 5017 with some modifications. The National Youth Employment Coalition believes that in times of fiscal restraint, Federal dollars expended for job creation should not only go to persons most in need but also to geographic areas of greatest need. While funds may be needed in every State, consideration should be given to targeting urban and rural areas which have the greatest need.

Furthermore, specific targeting for youth is strongly urged based on their disproportionate representation among the numbers of unemployed. Section 7 of the bill states that efforts should be made to assist youth who face other barriers to employment. We support that section and urge consideration of adequate funding to help this population overcome these barriers.

The National Youth Employment Coalition requests that throughout the subcommittee's deliberations, you keep high school dropouts constantly in mind and place a priority on service delivery to this group. They are individuals who at an early age begin to experience significant spells of unemployment. The discouragement and loss of self-esteem they face often result in their becoming the bedrock of the permanently unemployed adult population.

We recognize the difficult task you have to allocate limited resources among the many in need. We are convinced, however, that equity of services to high school dropouts based upon their percentage of the eligible population is essential to help break a self-perpetuating cycle of unemployment and poverty.

The coalition supports the delivery system outlined in H.R. 5017. We believe any youth jobs provision under consideration by this committee should be linked with the delivery system established by the Job Training Partnership Act.

The Job Training Partnership Act provides the structural framework in which youth jobs can be delivered. The intent of Congress for real and not make-work experiences must remain a priority if we are to make significant changes in the long-term employability of the disadvantaged.

It is clearly the responsibility of the private industry councils and SDA to ensure that the established structure of JTPA provides the best vehicle for comprehensive delivery of a Federal jobs policy for youth. We do urge you to consider carefully what role the States might play in your legislation since JTPA does spell out a significant role for State governments.

As stipulated in the Job Training Partnership Act, training is an integral element to ensuring stability and mobility in the labor market. Short-term Government-sponsored jobs cannot stand alone as the solution to our country's unemployment dilemma. This is especially true for youth who often lack minimal labor market experiences, basic skills and employment competencies.

The National Youth Employment Coalition believes that any job provision for youth should be accompanied by education and training opportunities. Training programs should be focused on the basic educational and employability skills necessary for long-term employment and economic self-sufficiency.

Alternative education and training services have been adequately tested, but the resources available are inadequate to meet the current need. Thousands of young people, many disadvantaged and school dropouts, will not return to traditional school systems for education or training.

Many potential recipients could receive education and training in public or nonprofit alternative schools, as well as through community-based organizations' training facilities. Access to necessary training and remediation for those most in need can best be met through support to public schools and to community-based organizations. Any jobs bill should clearly state that alternative delivery systems for education and training of unemployed youth are necessary and encouraged.

The coalition is concerned about the restrictions on funds in the Youth Incentive Employment Act which provides that 70 percent be spent on wages, benefit, and support services with a 15 percent cap on administrative expenses. The remaining 15 percent must be used for worksite supervision, supplies, training aids, and alternative or remedial education expenses. With nearly 1 million youth dropping out of school each year, the coalition is concerned that there be more flexibility to fund alternative education.

Over the past years, millions of dollars have been expanded to support the development and strengthening of community-based organizations. Furthermore, Federal funds were spent under the Youth Employment and Demonstration Projects Act identifying effective strategies of community-based employment and training services to disadvantaged youth.

It is important that we utilize these strategies and not negate the value of these programs in establishing alternative training systems for youth. We urge you to maintain a significant role for CBO's in the administration, planning, and service delivery of employment opportunities under consideration here today.

On behalf of the National Youth Employment Coalition and the hundreds of thousands of young people we serve, I thank you for this opportunity to provide our support for H.R. 5017. Our young people are America's future. But literally millions of youth may be left permanently behind if they are unable to obtain tangible skill enhancing work experience and the education and training to adapt to a changing world.

As you know, many of the individuals or participants today are members or associate members of the National Youth Employment Coalition, the young people here on Tuesday, many of whom are participants in the coalition agency programs.

We thank you for giving us the opportunity for coming here today, and we look forward to assisting the subcommittee in this extremely important endeavor.

[Prepared statement of Jeffrey Newman follows:]

PREPARED STATEMENT OF JEFFREY NEWMAN, CHAIRMAN, NATIONAL YOUTH EMPLOYMENT COALITION

Mr Chairman and distinguished members of the Subcommittee on Employment Opportunities, my name is Jeffrey Newman and I am Chairman of the National Youth Employment Coalition. I am also the Executive Director of the National Child Labor Committee. I am joined by two colleagues and members of the National Youth Employment Coalition—James Locke, Executive Director of Vocational Foundation, Inc., and Arnold Sherman, the National Executive Director of Camp Fire, Inc.

The Coalition was born more than five years ago out of the need to improve and expand job training and employment opportunities for youth, especially disadvantaged youth. Today, I am pleased to report that more than 30 organizations are members of the Coalition. Collectively, our members and their affiliates serve hundred of thousands of young people nationwide.

The National Youth Employment Coalition firmly believes that our country's strength, security, and internal welfare ultimately depend on our youth. The single most powerful defense is a population of healthy, educated, trained, and enthusiastic young people who are committed to the ideals of America.

Furthermore, the Coalition believes that everyone who wants to work should have the opportunity to do so. Rather than encouraging a welfare state thereby accepting that some 7-9 million people are not needed in our economy, we must emphasize the need for all citizens to be prepared for and able to work.

While our economy appears to be improving, there has been no visible effect upon our nation's youth. The Bureau of Labor Statistics reports that of the nine million Americans out of work, 40% are under 25. There were 55,000 more unemployed teenagers in March than in February and unemployment of black teenagers jumped to 46.7%, more than two and a half times that of white teens.

Despite these gloomy statistics, the fact remains that the overwhelming majority of new workers in the future will be women, blacks and Hispanics. No single piece of legislation can fully address the current need. Therefore, the National Youth Employment Coalition urges this Committee, the Congress and the Administration to work toward a National Youth Employment Policy to meet the needs of unemployed youth. Such a Policy would provide a cohesive strategy to insure adequate services to those most in need. Programs authorized under this Policy would include the Job Training Partnership Act, Job Corps, Targeted Job Tax Credit, vocational education, alternative education work experience programs and the Bill being examined today.

The Coalition applauds the members of the Subcommittee and particularly Congressman Hawkins, who have shown both compassion and commitment to our nation's youth. We are here today to demonstrate our support of the proposed Youth Incentive Employment Act (HR-5017). We offer the following comments which we hope will be useful in your deliberations:

TARGETING

We support the targeting provisions in HR-5017 with some modifications. The National Youth Employment Coalition believes that in times of fiscal restraint, federal dollars expended for job creation should not only go to persons most in need also to geographic areas of greatest need. While funds may be needed in every state, consideration should be given to targeting urban and rural areas which have the greatest need.

Furthermore, specific targeting for youth is strongly urged based on their disproportionate representation among the numbers of unemployed. Section 7 of the Bill states that efforts should be made to assist youth who face other barriers to employment. We support that Section and urge consideration of adequate funding to help this population overcome these barriers.

SERVICES TO DROPOUTS

The National Youth Employment Coalition requests that throughout the Subcommittee's deliberations, you keep high school dropouts constantly in mind and place a priority on service delivery to this group. They are individuals who at an early age begin to experience significant spells of unemployment. The discouragement and loss of self-esteem they face often result in their becoming the bedrock of the permanently-unemployed adult population.

The following is an example of dropout's disproportionate representation of the unemployed according to the most recent Department of Labor *The Employment* *and Training Report of the President:* In October the unemployment rates of School Year 1980–1981 High School Dropouts or Graduates:

	Percent
White graduates	17.1
Black graduates	53.5
White dropouts	29.0
Black dropouts	73.1

According to the National Center for Educational Statistics, 28 percent of the nation's ninth grades will drop out of high school before their senior years.

We recognize the difficult task you have to allocate limited resources among the many in need. We are convinced, however, that equity of services to high school dropouts based upon their percentage of the eligible population is essential to help break a self-perpetuating cycle of unemployment and poverty.

SERVICE DELIVERY

The Coalition supports the delivery system outlined in H.R. 5017. We believe any youth jobs provision under consideration by this Committee should be linked with the delivery system established by the Job Training Partnership Act. (JTPA).

The Job Training Partnership Act provides the structural framework in which youth jobs can be delivered. The intent of Congress for real and not make-work experiences must remain a priority if we are to make significant changes in the long-term employability of the disadvantaged. It is clearly the responsibility of the Private Industry Councils (PIC) and SDA to ensure that the established structure of JTPA provides the best vehicle for comprehensive delivery of a federal jobs policy for youth. We do urge you to consider carefully what role the States might play in your legislation since JTPA does spell out a significant role for State governments.

TRAINING REQUIREMENTS

As stipulated in the Job Training Partnership Act, training is an integral element to ensuring stability and mobility in the labor market. Short-term governmen-sponsored jobs cannot stand alone as the solution to our country's unemployment dilemma. This is especially true for youth who often lack minimal labor market experiences, basic skills, and employment competencies.

The National Youth Employment Coalition believes that any job provision for youth should be accompanied by education and training opportunities. Training programs should be focused on the basic educational and employability skills necessary for long-term employment and economic self-sufficiency.

Alternative education and training services have been adequately tested but the resources available are inadequate to meet the current need. Thousands of young people, many disadvantaged and school dropouts, will not return to traditional school systems for education or training. (Recent research on the Youth Employment and Demonstration Project Act states clearly that the most difficult aspects of the program involved getting dropouts to return to school or alternatives settings.) Many potential recipients could receive education and training in public or nonprofit alternative schools, as well as through community-based organizations' training facilities. Access to necessary training and remediation for those most in need can best be met through support to public schools and to community-based organizations. Any jobs bill should clearly state that alternative delivery systems for education and training of unemployed youth are necessary and encouraged.

The Coalition is concerned about the restrictions on funds in the Youth Incentive Employment Act which provide that 70 percent be spent on wages, benefit, and support services with a 15 percent cap on administrative expenses. The remaining 15 percent must be used for worksite supervision, supplies, training aids, and alternative or remedial education expenses. With nearly one million youths dropping out of school each year, the Coalition is concerned that there be *more* flexibility to fund alternative education.

ROLE OF COMMUNITY-BASED ORGANIZATIONS

Historically, community-based organizations developed because of the inability of traditional institutions to provide needed services to their local communities. Community-based, voluntary, and grassroots neighborhood programs have demonstrated their effectiveness in delivering employment services to a population often not reached by traditional institutions.

Over the past years, millions of dollars have been expanded to support the development and strengthening of community-based organizations. Furthermore, federal funds were spent under the Youth Employment and Demonstration Projects Act identifying effective strategies of community-based employment and training services to disadvantaged youth. It is important that we utilize these strategies and not negate the value of these programs in establishing alternative training systems for youth. We urge you to maintain a significant role for CBO's in the administration, planning, and service delivery of employment opportunities under consideration here today. Furthermore, and youth jobs provision should state that special consideration shall be given to community-based organizations of demonstrated effectiveness.

We applaud Mr. Hawkins for his commitment to and inclusion of community based organizations in H.R. 5017.

CONCLUSION

On behalf of the National Youth Employment Coalition and the hundreds of thousands of young people we serve, I thank you for this opportunity to provide our support for H.R. 5017. Our young people are America's future. But literally millions of youth may be left permanently behind if they are unable to obtain tangible skill enhancing work experience and the education and training to adapt to a changing world.

The Coalition looks forward to assisting this Subcommittee in this important endeavor.

NATIONAL YOUTH EMPLOYMENT COALITION

Act Together, Boys & Girls Clubs of Boston, Camp Fire, Inc., Center for Population Options, Children's Defense Fund, Federation of Employ. & Guidance Services, Fortune Society, Girls Clubs of America, Inc., Institute for Educational Leadership, InterFace, Inc., Jobs for Youth, Inc., League of United Latin America Citizens, National Association of Private Industry Councils, National Child Labor Committee, National Council of La Raza, National Institute for Work & Learning, National Puerto Rican Forum, National Urban League, Inc., National Youth Work Alliance, OICs of America Inc., Roosevelt Centennial Youth Project, Rural NY Farmworker Opportunities, Inc., 70001 Ltd., United Neighborhood Ctrs. of America, Inc., Vocational Foundation, Inc., YMCA of the USA, and Youth Practitioners' Network

Mr. HAWKINS. Thank you very much.

Next is Mr. James Lock.

STATEMENT OF JAMES LOCK, VOCATIONAL FOUNDATION OF NEW YORK

Mr. LOCK. Mr. Chairman, and members of New York and other members of the distinguished Subcommittee on Employment Opportunities, I am delighted to bring the views of the Vocational Foundation of New York to this committee. We are a nonprofit, job training, placement and career guidance agency for 16- to 21-year olds, out of school youth, at risk in New York City.

In its 47 years, VFI has placed numerous disadvantaged youth in private sector jobs by adapting its services to the changing needs of the youth population and the local labor market. So for many years we have been able to help untrained youth get a new start in a carefully selected job in the private sector.

The demand for these kinds of services is greater today than at any time in our history, and today we seem to have very few resources to meet those needs.

Now, this is particularly true for the population we serve. Some 97 percent of minorities, 72 percent are high school dropouts, 67 percent are under the age of 20; 50 percent are responsible for their own support or designated heads of household; 35 percent are former substance abusers or ex-offenders and 30 percent are on public assistance or AFDC recipients.

Therefore, we were elated to learn of H.R. 5017, the Youth Incentive Employment Act. We think the proposed legislation is much needed and would serve a population such as the one just described that is substantially underserved by JTPA. It is this population at JTPA that has the most difficulty serving, as many of the witnesses here today have testified.

This subcommittee should be commended for its commitment to the hardest to place among America's unemployed, and that is usually a minority youth. Although the act would benefit all eligible youth, its emphasis upon providing an incentive for economically disadvantaged youth to remain in school or improve their basic skills will have a particularly positive impact upon minority youth who are the most likely candidates for long-term unemployment.

We have found through our efforts that these young people really want to work and oftentimes lack the basic academic skills to function adequately in the labor market. It was truly depressing to us to realize that at least 25 percent of the young people we registered in 1982, and we registered approximately 2,500 young people, 25 percent had a reading and math score below sixth grade level.

It was at this point that we were convinced that work experience and/or occupational training would be lost on those youth unless the carefully designed academic skills component were also a part of the experience. Recently we moved to accomplish this, just as more and more service providers are doing today.

Now working as we have been with fourth to sixth grade readers, we found that the combination of basic skills preparation in a job or occupational opportunity is a powerful motivating force. The young people whose school attendance record is practically nonexistent, we have achieved a daily attendance ranging from 85 to 91 percent.

We have also found that they perform better on the job or in training when compared with others whose programs lacked the integration of academics and work for the council. Consequently, Mr. Hawkins and the committee's desire to receive the spirit of the youth incentive entitlement pilot project demonstration that has been discussed here by Barbara Blum and others is commendable.

Over the 2½ years of that program's operation, some 76,000 people got jobs on 10,000 worksites and the act that we are discussing here today will build on the very positive lessons learned from that demonstration. And since I am particularly interested in minority youth, I must reiterate two of the important findings of that demonstration that are particularly relevant for today's conditions. The demonstration proved that it was feasible to reach and interest large numbers of low-income youth in a program of this nature.

Black youth participated at a particularly high rate. Employment increased most dramatically for black youth, the group most burdened by the lack of job opportunities. The program succeeded in bringing employment rates of black males up to those of their white counterparts; and the rate for black females, which before the demonstrations had been two-thirds that of white females, reached a level of one-third higher than that of their white counterparts.

In conclusion, I must say that the only concern that I have regarding the act is with its section 5. The general requirements for receipt and restriction on use of funds. Although the 15 percent cap on administrative costs is worrisome, most of us in the delivery community have learned to operate accordingly.

However, the 15 percent capital and worksite supervision, supplies, training aids, and alternatives for remedial education programs seem not to give the same importance to the education component that the act otherwise explains.

I would hope that this subcommittee would give close consideration to this provision and assure yourselves that the actual operation of the program will not be impaired by the proposed restrictions on funds.

Again, let me congratulate the committee on its resolve to face one of the most serious problems in America today, the plight of many of its youth, and also for recognizing that illiteracy and the lack of other basic skills is a central element in the youth unemployment equation that must be dealt with now.

Thank you.

Mr. HAWKINS. Well, thank you, Mr. Lock.

Mr. Stanley Litow.

STATEMENT OF STANLEY LITOW, EXECUTIVE DIRECTOR FOR INTERFACE

Mr. LITOW. Thank you very much, Mr. Chairman.

I guess I am the first person who has to change their testimony to "Good afternoon."

I appreciate the opportunity to testify before the Subcommittee on Employment Opportunities. INTERFACE, which is a public policy research organization, is currently conducting a major foundation-funded project to examine the problem of youth unemployment in New York City. One major premise in our approach to this issue is that youth employment services must not be viewed as social benefit programs, although they may be, but as cost-saving efforts to plug a major drain in the city's and the Nation's economy. Why? Because while job training programs cost money, doing nothing costs more.

We can say that with certainty because we have looked at the cost of youth unemployment in New York City. We estimate that last year there were more than 150,000 jobless young people, aged 16 to 21, in the city of New York. The effective city unemployment rate for this age group, including those youngsters who are available for work though not now included in the labor force, is about 40 percent.

In total, public assistance benefits, AFDC and home relief, for these youngsters and their dependents last year came to more than $218 million, of which the city paid approximately $63 million. Notice, this does not include the Federal cost of food stamps or medicaid or unemployment compensation for those who qualify.

In addition to this direct cost, governments at all levels lose tax revenues that could be generated were these young people employed. For example, for every 1,000 20-year olds put to work, New York City would regain $164,000 annually in income and sales tax revenues. Add that to the direct cost of AFDC benefits for those 1,000 youths and their dependents, and you have more than $1.2 million added to the city's coffers in the first year of their employment. In future years the return would multiply as the youths progressed to better-paying jobs. Here again, the State and Federal Governments would receive even larger sums.

For another way of looking at the cost of youth unemployment, we have calculated the city's gain if a reasonable level of full youth employment were attained, based on national trends. Such an achievement would contribute almost $10 million a year in tax revenues alone to the city's coffers, and pump more than $300 million a year into the city's economy.

Coincidentally, $300 million is roughly the cost to the city of crimes committed by 16- to 21-year olds in the last fiscal year. Figures in comparable proportions apply to other cities as well, resulting in a drain on the Nation's resources in the billions of dollars a year.

Viewed in this light, we can truly say that this country cannot afford to do nothing about youth unemployment; it is far too expensive to do so. It is in our own economic self-interest to get these youngsters started on the road toward full participation in the labor force. That is why I am not necessarily troubled by the $2 billion price tag on this bill.

I refer specifically to getting them started because all our research shows that a youngster's first job is crucial. Youths who don't get a positive start in the work force often never recover from that initial disillusionment, and are destined to become part of an adult underclass. Employers report that their prime requisite for youthful job seekers is previous employment or some demonstration that they know how to work. Getting kids started, especially those who can't get started on their own, ought to be the goal of any youth employment program.

I hope these opening comments are useful in explaining why the need for a national youth employment policy is so great and why passage of H.R. 5017 is so important to the fiber of our Nation's youth. I would, however, like to substantively comment on some of the features of the bill.

First, in broad strokes as a member of the National Youth Employment Coalition, we endorse the testimony you heard Tuesday from our chairman. To elaborate, however, I would like to urge you to consider a number of specific issues.

Continue to keep a focus on high school dropouts and that segment of the youth population which is most at risk. In New York City our dropout rate is over 40 percent; in Chicago it is close to 47 percent. For Hispanic youth in the city of New York, it is close to 70 percent. Roughly half of our youth unemployment population couldn't hope to make the entry requirements under JTPA and as a result, are systematically creamed out of entering into JTPA-funded programs. These are the young people who suffer from the greatest handicaps to obtaining employment; they have no skills and no credentials.

Although they will need extensive services and costly programs in the short term, in the long run, we will get the best return on our investment with dropouts if we can bring them back to school, improve their skills and help them to develop a work history.

The result will not only change a young person's future but avert a long-term drain at the public till. Programs and research in New York City has reiterated the importance of work experience and vocational programs to improve attendance, keep students in school and bring students back to school.

Second, continue to offer a substantive role in the planning for H.R. 5017 to community-based organizations whose long track record and entrepreneurship should be encouraged. The national research on YEDPA demonstrated the success of these organizations to provide alternatives to traditional schools for dropouts.

In New York City, we have seen that youngsters are not very willing to return to school if the prospect is the same program and staff that have already failed them once. Alternative programs linked with training and work experiences have provided the answer. Evaluations of programs like Operation Success, run by Federation Employment Guidance Service, has highlighted this issue.

A recent evaluation of board of education programs for students who have consistently failed to meet high school entry requirements again underscore the need to provide services in alternative settings.

While the bill is not perfect, H.R. 5017 can be an integral part of a national policy on youth employment. While the bill's price tag, $2 billion, is large, as I discussed earlier, the cost of doing nothing is greater. I urge you to support H.R. 5017, and we will provide whatever assistance you need.

Mr. HAWKINS. Thank you, Mr. Litow.

Both you and Mr. Newman referred to the CBO education programs. Earlier we had a suggestion made that they should be approved by a State educational agency. May I ask, do you agree or not?

Mr. LITOW. I guess I would disagree. Speaking from a parochial experience in New York City, I have found the State education department has had a limited understanding of the role of community-based organizations and the programs that they offer. I would like to see them offering a technical assistance role, but not a credential role.

Mr. NEWMAN. I am not sure I understand the purpose of asking the State education agency to respond to or to license an entity which it, in essence, doesn't consider a valid entity to begin with in most cases. I think it would create a difficult situation if we did that.

Mr. HAWKINS. Would you say the same thing about the local educational agency?

Mr. NEWMAN. I think that is probably fair in most cases, although you might have to judge that one by one, but, yes.

Mr. HAWKINS. Thank you.

Mr. Jeffords.

Mr. **Jeffords**. I would like to follow up and get a better idea why you feel that way. Are you afraid they would not certify or don't you feel they are capable of certifying?

Mr. **Newman**. No, I think they are capable of certifying, and I think in many cases they would certify, maybe even in most cases. My greatest fear is that it would enter into the bureaucracy and get caught in the same kind of credentialing battles that we see happen all the time in education, and that those who would end up being hurt would be the young people whom this is intended to serve.

Mr. **Jeffords**. I can understand some of your concerns, but it seems to me if we are ever going to find an ultimate answer to these questions, we have to involve the State and local educational agencies in viewing what these kinds of programs do and why they are successful so that hopefully we can track some of the problems within the State and the local educational units.

Mr. Litow, on page 3 and 4 of your testimony, you mention that roughly half of our youth unemployment population couldn't hope to make the entry requirements under JTPA and, as a result, have systematically been creamed out, et cetera.

Are you saying there that because the resources are limited that there is creaming going on, or are you saying there is some other reason they do not qualify?

Mr. **Litow**. I think it is two reasons. Obviously, the absence of resources is striking, and there are large numbers of young people that can't be served. We have just concluded site visits to 35 employment training programs that are contracting with our city department of employment in the city of New York.

And we have been looking specifically in this first training cycle at the number of young people that they had to see to fill up their training classes, and they are seeing and screening approximately 15 to 20 percent larger number of young people in order to get a full complement in their training classes, and the people who are not being served, the people who are being turned away, are basically being turned away because of the accountability requirements of being confident that within 6 months of class room training they can, in fact, place people in unsubsidized jobs without the flexibility to provide educational or support services to those kids who seem to have the greatest problems.

So that the typical profile for a young person in a distressed neighborhood in the city of New York who has a high school problem, perhaps dropout, a reading level of fifth, sixth or even seventh grade in some cases, and serious other family problems, would make he or she a difficult bet for an employment program that is looking at their placement rate, and that is why I made that statement.

Mr. **Jeffords**. It is not really a structural problem within the legislation, but it is either a program problem as far as the plan goes or as far as meeting the performance requirements, is that what you are saying?

Mr. **Litow**. I think that the fact that the coupling of the diminished resources and the type of accountability requirements and the kind of passing of the blame on through levels of government until ultimately you are blaming the victim, I think, is making this legislation less useful than those who put it together.

Now that is what I am observing based on a very parochial experience in New York City, but my sense of it is that similar kinds of problems, not just bureaucratic problems, are happening in other parts of the country as well.

Mr. Jeffords. Thank you.

Mr. Newman. Mr. Chairman, if I could just add one supplementry note.

You didn't ask us about it. You did everybody else, but the minimum wage issue——

Mr. Hawkins. I thought we had beat it around enough. We are very glad to have your comments.

Mr. Newman. I am not going to add my comments as much as I would just like to tell you that the coalition 2 years ago, along with my own agency, the National Child Labor Committee, held a national forum on the issue of the subminimum wage.

Mr. Jeffords. You mean the youth opportunity wage, don't you?

Mr. Newman. Right.

Inviting 12 of the top people in the field on either side of the issue, and we can provide you with an executive summary of that. We found it a very persuasive and helpful discussion and debate between top people on both sides, well represented, and we felt very strongly that the information was useful to us, and we think it might be to you also.

Mr. Jeffords. I would appreciate it very much, if you would provide that to us.

Mr. Hawkins. We will keep the record open and have it in the record at this point.

[The information follows:]

EXECUTIVE SUMMARY—SEMINAR ON SUBMINIMUM WAGE FOR YOUTH

On April 21, 1981, the National Child Labor Committee and the National Youth Employment Coalition sponsored a Seminar discussion of the merits and feasibility of a subminimum wage for youth. The Seminar's expenses were partially underwritten by the Avon and Taconic Foundations. Both the Committee and the Coalition are advocates for youth and are deeply concerned about employment opportunities for young people. They work extensiely to provide information on youth employment issues and seek to direct national policy toward sensible solutions of the problems young people face as they enter the world of work.

Lowering the minimum wage for young people as a means of generating more youth jobs has long been discussed as a possible solution to the nation's continuing youth employment crisis. While specific proposals vary, most suggest a youth wage differential based on a percentage (for example, 75 percent) of the current minimum wage. The suggested differential is related either to age, level of training, or a combination of the two. Before endorsing any specific proposals however, most legislators agree that the potential effects of a wage differential must be carefully examined. The Reagan administration has identified the following issues as requiring further study:

What effect will a subminimum wage have on the availability of minimum wage adult jobs?

Can displacement of adult workers and high turnover of young workers be avoided?

Will jobs be generated for inner-city minority youth who need them most?

What effect will a subminimum wage have on poor families who rely on the income that teenage workers provide?

How many new jobs will be created?

What are the experiences of other countries with respect to a youth wage differential?

Arguments for and against such a wage differential are ordinarily presented singly and without opposition. However, to encourage a productive interchange among those on opposite sides of the issue, distinguished panelists were selected both for their expertise and their divergent views on the subminimum wage. Opponents and proponents were well represented, as were those favoring options which fall somewhere in between. The participants were:

Jerome M. Rosow (Moderator), President, Work In America Institute.

Howard Bloch, Professor, Department of Economics, George Mason University.

Peter Edelman, Attorney, Foley, Lardner, Hollabaugh and Jacobs.

Daniel Hamermesh, Professor, National Bureau of Economic Research, Michigan State University.

Bob Litman, Chief, Program Planning, Office of Youth Programs, Department of Labor.

William Lucy, Secretary-Treasurer, American Federation of State, County and Municipal Employees.

Julianne Malveaux, Professor, New School for Social Research.

S. M. Miller, Professor of Sociology and Economics, Boston University.

Jeffrey Newman, Executive Director, National Child Labor Committee.

Kenneth Nochimson, Executive Director, National Youth Employment Coalition.

Paul Osterman, Professor, Department of Economics, Boston University.

Robert Palmer, Associate Counsel, National Restaurant Association.

Among the observers were:

Julie Bingham, National Alliance of Business.

William L. Bradley, President, Edward W. Hazel Foundation.

Lawrence C. Brown, President, 70001 Ltd.

Jane Lee J. Eddy, Executive Director, Taconic Foundation.

Frederick Jungmann, Executive Director, Jobs for Youth, Inc.

Paul Kendall, Vice President, Properties Management, WMCA.

Ruby Martin, Independent Counsultant.

Myrtis H. Mosley, Program Director, The Edna McConnell Clark Foundation.

Frank Rueda, Program Assistant, The Edna McConnell Clark Foundation.

Craig Trygstadt, Director, Youth Communications National Center.

W.T. Butler, Amsterdam News.

Throughout the day, panelists expressed agreement on one central issue: young people want to work. Most youths understand the long-term benefits of holding a job, even if the job itself has few rewards, pays little, or has very little status. The corollary was also stressed—that failure to enter the labor force, particularly for minority youths, have scarring effects that will impede all future progress (Malveaux). Several participants agreed that virtually any job can offer important training advantages for youths (Bloch), although this idea did not go unchallenged. The assumption that only highly paid worker should be motivated by money, while youths and other low-wage earners should be satisfied with less concrete rewards, was questioned. It was acknowledged, however, that youths' motivation tc work must be high to compensate for the generally low wages of most entry-level jobs: one study showed that youths earning the minimum wage in New York City actually pocket only a total of $1.70 after deductions and expenses (Rosow).

The panel also expressed some general agreement on the value, or potential value, of employment and training programs. The proposed subminimum wage was not seen as a substitute for CETA, but as one element in a mutifaceted approach to the intractable problem of youth unemployment (Palmer, Rosow). Investing in preparing youth people for work is both more humane and more economical, it was suggested, than changing the wage or job structure to compensate for an ill-prepared work force (Nochimson). CETA and other public service programs were noted to be relatively cost-effective, since about two-thirds of the participants gain skill that are transferable to the private sector jobs which youth prefer because of their opportunities for advancement (Lucy, Palmer).

Although CETA suffers from a poor public image, many of the jobs it offers are valuable and important public services (Hamermesh). Improving CETA rather than replacing it (Osterman), and concentrating funds in programs which prove successful (Hamermesh) would be profitable approaches to the youth employment problem.

CETA itself would be more effective with a greater focus on serving older and out-of-school youths and more direct targeting to minority youths. In addition, the creation of longer-term programs would be helpful to those youths most seriously handicapped in their entry to the labor market (Osterman). Income transfer should be recognized as a valuable goal for some employment and training programs contribution to financial independence and reinforcing participants' work values (Rosow).

The most successful employment preparation programs concentrate on brushing up basic skills and developing good attitudes toward work (Osterman). These are the attributes that make youths easy to place, at the minimum wage or more (Jungmann). Business and industry have helped formulate this approach (Martin) and prefer to do their own specific skills training (Osterman). If prospective employeees have the necessary basic skills and work values, employers say that the minimum wage is not an issue—they are willing to pay the prevailing rate (Mosley, Martin).

THE IMPACT OF A SUBMINIMUM WAGE

In discussing the potential impact of instituting a subminimum wage for youths, some panelists agreed tht sufficient evidence existed to project general figures. The unemployment rate for minority youths is now at 38 to 40 percent. With a subminimum wage, it would probably go down to 36 to 37 percent (Osterman). Approximately 300,000 to 350,000 jobs would either be created or would become available to youths if a subminimum wage were set at 75 percent of the current minimum wage (Hamermesh). These estimates, however were not unanimously accepted; questions were raised as to the reliability of supporting data (Osterman, Miller).

Any jobs created by a subminimum wage for youth would disproportionately go to white teenagers (Hamermesh). A wage differential would also have an adverse impact on every group that has trouble entering the work force, including women and other low-wage adults (Litman). A subminimum wage would drag down wages generally and would therefore have a negative effect on all low-wage earners (Rosow) but, again, those most likely to be displaced are those who already work for the minimum wage—minority workers, the poor, and women (Osterman). Moreover, pressures on minorities are expected to worsen in the next decade, even without a subminimum wage, because the proportion of minorities in the population is increasing (Rosow). Employers who do not hire minority youth will not create more jobs, so the subminimum wage would have no real effect on its target group (Brown).

The minimum wage itself has a discriminatory effect, because it forces youths to compete with whites and adults on an equal footing (Hamermesh). The proposed subminimum would make discrimination more expensive, forcing discriminatory employers to pay higher wages to preferred workers who are not more qualified (Bloch). Minimum wage destroys jobs and training opportunities for all young people and for minority youth in particular. It fosters discrimination and drops wages in uncovered areas (Bloch). Despite the characteristics of younger workers that sometimes make them difficult to employ, qualification is really a factor of wage level. If the market were free to find its own level, those youths would become more appealing. While it is not economically advantageous to hire them at the current minimum wage, they would become more attractive at a lower rate (Bloch).

There are insufficient data to predict accurately what the impact of youth subminimum wage will be on older workers. It is particularly difficult to project how many older workers would be displaced by younger, less expensive employees. While one study has suggested that 50,000 to 100,000 jobs would be taken away from adults (Hamermesh), the Minimum Wage Study Commission found that figure to be severely understated (Rosow). Those who believe that job creation would be very slight, anticipate that adult displacement would account for most of the jobs going to subminimum wage youths (Osterman). Moreover, there is a clear flight of good jobs from urban areas, and that will continue—leaving a larger pool of low-wage workers in areas that do not offer jobs (Lucy). That geographic joblessness might be alleviated, in part, by the enthusiasm of small urban businesses for low-wage youth workers (Palmer).

If low-cost labor were going to be consistently available, production would shift to more labor-intensive systems (Bloch). However, the economy is moving away from labor-intensive production, and a temporary pool of cheaper workers would not change the general trend (Rosow). In addition, lower wages would not compensate employers for the problems associated with younger workers—such as high turnover—so there would not be jobs created in manufacturing (Osterman). The trend toward self-service is a reflection of the high cost of young workers. Restaurants and gas stations, for instance, have found it more profitable to cut services than to pursue the traditional course of employing youths (Palmer).

We must give some thought to those teenagers who are working at or above the minimum wage: if their cohort is devalued, how will they react to reductions in pay that are designed to open opportunities for others (Rosow)? In addition, subsidized or subminimum wage workers might create a large pool of workers deprived of access to benefits through trade unions (Lucy).

LABOR MARKET DISCRIMINATION

Black youths are much better off in such areas as education and training than they were 10 or 15 years ago, compared to white youths, and so are qualified to hold minimum wage jobs. Qualifications are up, but so are unemployment rates. The reason black youths aren't hired can only be discrimination (Osterman). There are two kinds of discrimination: covert discrimination which is the result of irrational prejudice; and overt discrimination which results from such things as inadequate education. The second kind must be dealt with through targeting subsidized work experience and basic skills training (Miller).

We need to overcome past discrimination, not to create a new class of workers, a new wage floor, and disincentive to work. Discrimination is so institutionalized, however, that it is unlikely that any special program will result in preferential treatment for minority youths (Lucy).

NONECONOMIC ISSUES OF A SUBMINIMUM WAGE

One fundamental problem with the entire subminimum wage discussion is that it attempts to treat an ideological issue as a technical issue. Economic analysis is unreliable for the purposes of policy discussion. It serves only to divert us from debating real issues, such as the lact of decent jobs for young people (Miller).

In the long run, it is detrimental to all of us to treat youths differently solely because of their age (Lucy). The employment structure of this country mandates equal pay for equal work and suggesting less pay for the same job raises difficult ethical issues. Isolating youths for wage purposes may be seen as a deviation which, if extended to other groups, could undermine the whole minimum wage philosophy (Rosow). Changing this axiom of American employment structure would probably pit young people against adults, a contest which youths always lose (Newman). In a system designed to keep youths economically impotent, it would devalue youths even further to suggest that they are not worthy of even the minimum wage for other workers (Nochimson).

Another unintended consequence of a subminimum wage is possible. If it actually does create jobs, the short-term lure of even a small income would encourage young people to leave school (Osterman). However, this possibility is offset by the fact that more part-time jobs have been created in the recent past, which allow young people to finance continued schooling (Hamermesh).

FRANCHISES AND SMALL BUSINESSES

Any proposed subminimum wage for youth would have the primary effect of subsidizing a few industries, particularly fast foods, according to the Minimum Wage Study Commission (Rosow). The youth differential would create many more entry-level jobs in the fast food industry because the number of available jobs is based on the available budget rather than on a predetermined limit. This job creation, would be beneficial to young job-seekers (Palmer).

However, the low pay scale in fast foods has already resulted in a very high turnover rate (Rosow). That level of turnover is desirable and profitable to the industry, which has structured jobs in order to eliminate the necessity of training and keeping workers (Lucy). This has resulted in jobs which are low-skilled, offer no training opportunities and low wages, and don't really pay off for young people (Osterman). However, we should not undervalue the training advantages of holding any job (Bloch).

Job creation as a result of a subminimum wage would probably be seen most in small businesses, such as mom-and-pop establishments, rather than in large industries (Palmer). But the differential may be too small to interest these businesses (Lucy) which, by and large, have not taken advantage of available subsidies like the Targeted Jobs Tax Credit (Rosow). The proposed subminimum is a more direct, and therefore more appealing, incentive and would be more widely used than any indirect incentives (Palmer). The possible benefits to small establishments may not be worth the cost to the entire economy of instituting a youth subminimum wage (Miller).

MINIMUM WAGE AT HOME AND ABROAD

The minimum wage has several important functions: it is, as the popular phrase has it, a "safety net" that protects people from poverty (Rosow) or a "union for poor people" (Osterman). As part of the Fair Labor Standards Act, the minimum wage had the dual purpose of establishing a floor beneath which no worker would fall, and making it equitable for small businesses to compete against each other (Lucy).

Testimony prior to the Act's passage repeatedly noted the need to protect adult workers from low-wage competition from youths (Osterman). One unspoken and discriminatory intent was to provide protection for marginally skilled white men from other adult low-wage earners such as blacks and women (Palmer). The legislation was also designed by industrial interests in the North to inhibit the economic development of the South (Bloch).

In the United Kingdom, the total absence of minimum wage legislation has not reduced youth unemployment (Rosow). However, unemployment of youths relative to adults is far lower than in the United States (Hamermesh). In fact, every industrial nation has a serious youth unemployment problem—what sets the United States apart is the high concentration of minority youth unemployment (Edelman).

OPTIONS FOR INCREASING YOUTHS' EMPLOYABILITY

It was suggested that discussion of the subminimum wage has passed the point of productivity and that a pilot program should be tried, at least on a test basis (Palmer). Some panelists, however, posed other mechanisms for addressing the youth employment problem. If there were a national will to do so, the youth unemployment crisis could be resolved, but any solution must focus on non-discriminatory policies which recognize that preferential treatment of some workers is required to overcome past discrimination (Lucy).

Increasing the employability of youths will necessitate a broad range of programs (Edelman); it is clear, for instance, that three to four million young people need something more than just direct job creation (Litmam).

Some of the proposals involved experimenting with wage differentials based on training levels by subsidizing employers rather than taking wages out of the youth's pockets. For example, employers and their young employees could be exempted from such standard deductions as taxes and Social Security payments. The potential losses to the Social Security system could then be reimbursed from general revenues or by eliminating some of the less effective employment programs (Rosow). While working out the actual costs of such a program would be extremely complicated, it could be virtually self-administered and therefore relatively inexpensive (Newman). Exemptions from Social Security contributions for some employees would appeal to service industries and small businesses where the number of jobs is not fixed (Palmer). This compromise proposal could be made acceptable to most of the Seminar participants (Block). Among other things, it has the benefit of distributing benefits to both employers and employees (Rosow).

Another plan would institute cash bonus payments to employers of certain teenagers (Palmer). Such a program, however, would have to be targeted carefully to youth's training level to be acceptable (Osterman). Also proposed was a bonus system which would subject minimum-wage youths to all standard payroll deductions but would give them tax-free cash awards at three points during the first six months of employment. This system could potentially reduce turnover by increasing the youths' tenure in their first jobs. It would be valuable to formulate such alternatives with an eye to providing incentives for the job-seeker as well as the employer (Rosow).

Mr. HAWKINS. Was it in support of?

Mr. JEFFORDS. I didn't dare ask that question.

Mr. HAWKINS. It goes into the record, regardless.

Mr. NEWMAN. The idea of the seminar was not either in support of or against, but I think that most people who attended the seminar concluded that subminimum wage was not really a viable alternative in large part because it would not do what people hoped it would do, which was to create additional jobs for young people.

Mr. Sarasin this morning, I think, made a point that if it was going to create jobs, then it was, in effect, working no matter whether or not it was providing life sustenance. In fact, our evidence and the evidence that seemed to come out of that forum indicated that relatively few jobs would be created, that it would be deceptive in that sense.

Mr. HAWKINS. Well, certainly that view will be helpful.

In that connection, may the Chair indicate that as of May 2, I sent a letter to the Secretary of Labor, Mr. Donovan, asking him to testify on the proposal, H.R. 5017, and such other matters as he cares to make, which I assume would also consider the alternative.

The subminimum wage, as we will refer to it, but I hope that we will have the opportunity to have the Secretary to come before this committee and to discuss the subject before this committee. The chairman of the full committee, Mr. Perkins, already sent a letter requesting the departmental views on H.R. 5017, but we have not received those views. We will persist in our efforts to have the Secretary of Labor, as well as others, to testify on this subject.

Again, may I thank the members of this group and the National Youth Employment Coalition for their efforts. In connection with the letter, I request that, without objection, it will be placed in the record at this point.

[The letter to Raymond Donovan from Chairman Hawkins follows:]

COMMITTEE ON EDUCATION AND LABOR,
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES,
Washington, DC, May 2, 1984.

Hon. RAYMOND DONOVAN,
Secretary of Labor, Department of Labor,
Washington, DC.

DEAR SECRETARY DONOVAN: Youth unemployment remains one of the most persistent, aggravated and potentially explosive issues facing the nation. In response to this critical national problem, 70 Members of Congress have joined me in introducing legislation based on a successful pilot demonstration which linked job opportunities for economically disadvantaged youth to successful school completion and achievement of basic educational competencies.

The Subcommittee has begun hearings on this legislative proposal, the Youth Incentive Employment Act, H.R. 5017, and intends to proceed expeditiously to bring this legislation before the House this session.

In order to have the benefit of the Administration's position on this important proposal, I am requesting your testimony before the Subcommittee during its current series of hearings this month. I understand that the Chairman of the Education and Labor Committee has already sent a letter requesting written Departmental views on H.R. 5017.

We would certainly attempt to accommodate your schedule to set a mutually convenient date for your testimony. It would be appreciated if your staff could contact Susan Grayson McGuire, Staff Director of the Subcommittee, so that a mutually convenient time can be arranged for your appearance.

I look forward to hearing your views on this legislation.

Sincerely,

AUGUSTUS F. HAWKINS, *Chairman.*

Mr. HAWKINS. Again, we wish to thank the witneses for their testimony before the committee. It certainly has been helpful to the committee.

Mr. NEWMAN. We would appreciate it, Mr. Hawkins, if we could submit Mr. Sherman's testimony for the record since he was not able to be here this morning.

Mr. HAWKINS. Thank you very much. The hearing is concluded.

[Whereupon, at 12:35 p.m., the subcommittee was adjourned, subject, to the call of the Chair.]

HEARINGS ON YOUTH INCENTIVE EMPLOYMENT ACT

TUESDAY, MAY 22, 1984

House of Representatives,
Committee on Education and Labor,
Subcommittee on Employment Opportunities,
Washington, DC.

The subcommittee met, pursuant to call at 9:30 a.m., in room 2261, Rayburn House Office Building, Hon. Augustus F. Hawkins (chairman of the subcommittee) presiding.

Members present: Representatives Hawkins, Martinez, Hayes, Jeffords, Gunderson, Nielson, and McCain.

Staff present: Susan Grayson McGuire, staff director; Carole M. Schanzer, deputy staff director; Brad Jefferies, legislative assistant; Teresita P. Schroeder, administrative assistant; and Beth Buehlmann, Republican senior legislative associate.

Mr. Hawkins. The Subcommittee on Employment Opportunities is called to order.

The subject of today's hearing is youth unemployment with particular reference to the Youth Incentive Employment Act, H.R. 5017. This is a continuation of a series of hearings which we have recently held on this subject. While the President has submitted a proposal to solve the problem by lowering the wage for youth based on age, we continue with what we consider to be the only viable solution: that is to provide jobs, decent jobs, that pay something more than starvation wages. This morning, because the subject of a subminimum wage has surfaced, we have asked the chairman of the subcommittee, which has jurisdiction over the Fair Labor Standards Act to appear before the committee.

I certainly don't have to introduce our colleague. His voice has been raised on such issues for a long time. George, we are delighted to have you this morning to contribute to this subject. We commend you for your leadership on your subcommittee and we certainly express our sincere thanks for your cooperation with this committee. In this instance we have overlapping jurisdiction, but I think the basic jurisdiction lies with you. For that reason, we are delighted to have you appear before us.

STATEMENT OF HON. GEORGE MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Miller. Thank you, Mr. Chairman, for the opportunity to testify before this subcommittee, because I think these hearings are certainly the most constructive step that has been taken toward trying to help young people find training and employment opportunities.

As chairman of the Subcommittee on Labor Standards, I think we ought to explore the question that is before this subcommittee which is whether to adopt a comprehensive approach to reduce teenage unemployment as you have proposed, Mr. Chairman, or whether we will go along with the administration's proposal to hoodwink our employed youth through the false promise of jobs at a subminimum wage.

To invest in our future, we must invest in our youth. That is a fact which seems to escape this administration. Year after year, the administration consistently has ignored the educational, job-training and economic needs of our young people. Hearings conducted by the Select Committee on Children, Youth and Families, which I chair, have documented this sorry record of indifference.

The administration's recycled proposed youth subminimum wage continues that practice of studied indifference to the problems of young Americans who need jobs and who hope for economic security. Although the administration claims the youth subminimum wage would create 400,000 new jobs, those new jobs would cost adult minimum age workers their jobs and would undermine the basic principle of equal pay for equal work. We cannot sanction discrimination in wage levels because of race, sex, national origin or age.

The subminimum wage is not a new idea. It is an old idea that has been rejected time after time. Since 1969, we have repeatedly reviewed subminimum wage proposals and the Congress has rejected them because a subminimum wage ignores the real causes of youth unemployment, and because it negatively impacts the Nation's economy and minimum wage workers.

The Minimum Wage Study Commission established by Congress to investigate a broad range of minimum wage issues reported in May 1981 that, "The record does not justify the establishment of a youth differential." The Commission reached that conclusion for the following reasons:

The youth subminimum wage has "limited potential for reducing the unemployment rate among teenagers because teenage employment increases probably would be modest and a differential is likely to attract additional teenagers into the labor market."

There is "no evience that areas with the highest unemployment rates would be the most likely beneficiaries of a youth subminimum," that "Adult employment would be reduced by a youth differential and, forced to choose between teenage and adult employment, the latter seems a considerable higher priority."

The concept of the youth subminimum runs counter to the basic principle of equal pay for equal work without regard to race, sex, national origin or age. "If suggestions were made that the very real employment problems of women or members of minority groups would be solved by paying them less for their labor, such a proposal would be rejected out of hand as fundamentally unjust. We can see no difference in principle between such proposals and those based on age."

The Commission is not alone in rejecting a youth minimum wage. The author of a study recently released by the U.S. Chamber of Commerce determined that any gain in youth employment would "occur at the cost of an unknown number of lost opportunities for adult men and women."

In 1981, my Subcommittee on Labor Standards held hearings on proposals to stimulate employment in the small business sector. At that hearing, we were advised by the American Association of Minority Enterprise Small Business Investment Companies that: a subminiumum wage would actually be a disincentive for youth entering the labor force; a subminumum wage would not create jobs in the economy because there would still be a limited economic growth, particularly as a result of reductions in purchasing power by segment; a subminimum wage for youth would induce the displacement of adult workers.

In light of such substantial evidence, it would be callous to overlook the probability that displacement of older workers would occur if we were to enact a subminimum wage. And who are the people who will be displaced by cheaper teenage labor? Unfortunately, they will be those adult breadwinners currently toiling at jobs at or near the minimum wage.

Many are likely to be women, since nearly two-thirds of all minimum wage earners are women. In fact, it has been estimated that approximately 18 percent of all working women earn the minimum wage or less.

They are likely to be adult workers in the prime of their occupational years. Forty-five percent of minimum wage workers are between ages 25 and 64.

Thirty-eight percent of all workers 65 years or older earn the minimum wage or less.

If you are a member of a minority there is a good chance that your wages will be $3.35 per hour or less. According to the Minimum Wage Study Commission, blacks and other minorities suffer a disproportionately high percentage of minimum wage workers. In fact, one in five blacks work at that wage level.

The result of President Reagan's proposal would be to displace many of those already at the lower end of the economic scale, already struggling to stay financially afloat on a wage already below the poverty line.

The Federal minimum wage has been set at $3.35 per hour since January 1981. The purchasing power of that wage in 1984 is down to $2.88 per hour. Thus in reality, we already have a subminimum wage; it's the wage we currently pay minimum wage workers.

The legislative alternative which you and Senator Kennedy have introduced would create jobs for youth, but not at the expense of adult workers. Such a program was successfully demonstrated on a limited scale from 1978 through 1980. The final report on the demonstration concluded:

> From the varied lessons in both reports, YIEPP [Youth Incentive Entitlement Pilot Projects] * * * encourages school completion and the compilation of a work-history. Moreover, the program proved feasible to implement on an extremely large scale.* * * Large numbers of jobs can be developed to alleviate youth unemployment, and that these jobs can provide meaningful work experience. Perhaps most of all, YIEPP has shown that, when jobs are available, young people want to work—even at the minimum wage and even while still continuing school.

A comparison of the two proposals, yours and the President's, clearly illustrates the superiority of the Hawkins-Kennedy approach. One is designed to address the problem of youth unemployment and undertraining—especially minority youth and the other is not.

Your proposal ties jobs, training, and education together to ensure that deserving young people are provided with meaningful skills. The President's might provide short-term, low-skill jobs but it would be largely at the expense of adult workers.

Your proposal requires those at the local level to develop a plan to meet local needs and to enlist the cooperation of employers. The President's proposal does not. Your program includes outreach services to bring youths who have dropped out of school and the job market back into the classroom and onto the job. The President's proposal does not.

We do not need President Reagan's subminimum wage legislation to encourage the hiring of young student workers. The Fair Labor Standards Act already allows some 700,000 firms to pay the subminimum wage to students. Yet only 4 percent of the eligible firms participate in the program.

The tax laws include the targeted jobs tax credit. It is designed to provide employers with a sizable tax credit if they employ disadvantaged youths. The General Accounting Office and others have reported that the program suffers from a "low rate of utilization" by employers. In fiscal year 1982, the "take-up rate" of eligible employees by employers was only 3.7 percent.

I think the issue becomes very clear that the problem is not the wage. It is the training and the ability of the young worker. It is not the wage.

The President's proposal continues this administration's attack on the Fair Labor Standards Act. This administration has already attempted to remove the protections for garment workers by reducing regulations against sweatshops and to reduce safeguards for child laborers. Additionally, the administration has reduced the number of labor standard investigators by one-quarter, even though the Labor Department admits that nearly two-thirds of those employers investigated are not complying with the minimum age law today.

Yet, here we are discussing another proposal to undercut those workers. If the Department of Labor cannot enforce the law today, year-round, for millions of minimum age workers, how effectively will Secretary Donovan enforce the subminimum wage?

Thank you, Mr. Chairman, for the opportunity to discuss the subminimum wage proposal. We should be looking for new solutions. We should not be replaying discredited ideas from the past. I look forward to working with you to resolve this serious problem.

Mr. HAWKINS. Well, thank you, Mr. Miller. I understand you quoted at one time from a recent Minimum Wage Study Commission report, which was given to the President in 1981. This is the most recent study that the chair knows of.

Do you know of any studies which have, in effect, supported the subminimum wage that have been recently—within the last decade—let's say, made and reported to the President that seemed to support his proposal?

Mr. Miller. I know of no studies, Mr. Chairman, that support the idea that subminimum wage would create new jobs. I put out a call for those studies in our subcommittee when we were undertaking the idea of how do we promote job opportunities for young workers. And there was no evidence submitted to our committee. Most of the evidence was submitted both by the labor sector of our economy that in fact what we would experience would be severe displacement for adult workers who are already at the minimum wage level and we would get the substitution problem.

Even though the President's proposal states that you shouldn't allow substitutions, we now find that employers who employ the minimum wage two-thirds of them are violating the law already. We have no ability to enforce it. Those are Labor Department statistics so we are just asking people to cannibalize one worker for another and it is just that simple.

But I think more importantly we had the people representing the fast food industry in—people who historically have been for a subminimum wage because they are the utilizers of a large number of young people in their industry. Most of them have now changed their position. Most of them start their workers at the minimum wage and immediately move their workers past the minimum wage because they have determined that it is the quality of the worker that is the issue.

It is a question of the skills of that young worker that has been the issue that most of these employers have suggested that they are willing to pay the minimum wage. That is not the differentiation in their concerns. What it is is whether or not we can send them workers that have the basic education and the basic skills. I think the key to the Hawkins-Kennedy bill is that the incentive is for the younger person to stay in school and acquire those skills and education through this program.

That's where we are shortchanging the employers and to think that that problem is going to be solved by placing the subminimum wage out there for 3 or 4 months is just a failure to understand the problem.

Mr. Hawkins. One of the arguments being used particularly by the Conference of Black Mayor's statement has been that this can easily be implemented; that we don't have to go through the legislative process as in the Kennedy-Hawkins approach to get something adopted; that all we have to do is pass quickly this subminimum wage proposal since it doesn't cost anything, and can be implemented quickly.

I recently requested some information on State minimum wage laws because my reading of the proposal is that minimum wage laws in the States and in some municipalities as well would have to be recognized; that is, there is no way of getting around these. The administration's proposal does not attempt to do so.

According to my information, there are at least 12 States, including our own State of California, that have a minimum wage provision that limits implementation of any proposal to have a subminimum wage. The only exception that I know of is a 25-percent exception among employees who are regularly employed. So that, again, would eliminate these temporary employees among the States.

In New Jersey we recently communicated with one of the black mayors who made the point that this could be implemented quickly, but New Jersey is among those States with a minimum wage. In view of the fact that this is so, then would you not agree that there is another barrier that has to be met, even if we were to foolishly pass a cockeyed proposal such as this? Wouldn't we still would have to meet these additional legal requirements?

Mr. MILLER. Well, I think it is fair to say that this summer would come and go before this provision was implemented. We do not preempt the area of minimum wage. We set a floor and States write laws either to accompany that or stronger laws of minimum wage. So, in fact, those States would have to deal with this same proposal prior to that.

But the problem is far more serious than the implementation. You are talking about undermining the wage base of the poorest workers in this country; the least organized poorest workers, people who get up every day and go to work and at the end of the year when they come home they are poor.

Now we are going to undermine 4 months of their work by taking young people and offering them a subminimum wage. I also think you ought to do some interviews with young people, whether they are minorities or not, whether they live in inner cities or not and ask them about the subminimum wage and see which way it rubs them, because I think you will find out that this isn't exactly the greatest economic opportunity they have had put in their direction.

I think time and again when we have looked at this we have seen that it results as substituting one wage-earner in a household for someone else. To equate the young person who is saving for a stereo with summertime work with the young person who is contributing to household income is, I feel, somewhat insensitive to the problems of the poor community in this country.

But I don't know. You combine this with the immigration policy that we are considering and that will be about the end of the wage base in this country for poor workers.

Mr. HAWKINS. Mr. Miller, your committee certainly must have looked into the minimum wage itself. What, precisely are we talking about? Are we talking about $3.35 as a minimum wage and 85 percent less than that or are we talking about a wage base that itself has been eroded?

Mr. MILLER. The value of that $3.35 today is $2.88 an hour. As I pointed out for students, employers can take advantage of reducing cost employment to them, but the incentive there was one that we determined that the interest is in keeping these people in school and with the targeted jobs tax credit.

In fact, the cost of the minimum wage is far less than the $2.88. The cost is less to the employer and the value is much less to the employee. If we, in fact, kept the minimum wage current with cost of living in this country, we would be paying $3.90 an hour. So you can see the value is about a dollar less than what it would be if we kept square with the people who receive it.

Mr. HAWKINS. Well it adds up then. I would assume that the opportunity is not for the youth, but the opportunity is actually for the employer.

Mr. **Miller**. Well, I think that is clear. There is no benefit transferred to the youth. I know the answer. The answer is, but a job at $2.50 an hour is better than no job at all. I just don't think that is the case because I think again when you look at the skills of this worker and you look at the attitudes of the employers who employ him, there is very little training going on here.

We are talking about a warm body that is given very little direction. You don't have tc go into many of these service industries or retail outlets and be waited on by people to understand how little investment in terms of time and training and direction employers are giving current workers. To believe that somehow this is a wholesale training of employment opportunity and new hope for these young workers because the minimum wage is too high is to not understand the problem.

[Prepared statement of Congressman George Miller follows:]

PREPARED STATEMENT OF HON. GEORGE MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

As Chairman of the Subcommittee on Labor Standards, I want to thank you for this opportunity to testify on the important issue of teenage unemployment. The question before us is whether we will adopt a comprehensive approach to reduce teenage unemployment as you have proposed, Mr. Chairman, or whether we will go along with the administration's proposal to hoodwink our unemployed youth through the false promise of jobs at subminimum wages.

To invest in our future, we must invest in our youth. That is a fact which seems to escape this administration. Year after year, the administration consistently has ignored the educational, job-training and economic needs of our young people. Hearings conducted by the Select Committee on Children, Youth and Families, which I chair, have documented this sorry record of indifference.

The administration's recycled proposed youth subminimum wage continues that practice of studied indifference to the problems of young Americans who need jobs and who hope for economic security. Although the administration claims the youth subminimum wage would create 400,000 new jobs, those "new jobs" would cost adult minimum wage workers their jobs, and would undermine the basic principle of equal pay for equal work. We cannot sanction discrimination in wage levels because of race, sex, national origin or age.

The subminimum wage is not a new idea. it is an old idea that has been rejected time after time. Since 1969, we have repeatedly reviewed subminimum wage proposals, and the Congress has rejected them because subminimum wage ignores the real causes of youth unemployment, and because it negatively impacts the nation's economy and minimum wage workers.

The Minimum Wage Study Commission established by congress to investigate a broad range of minimum wage issues reported in May of 1981, that, "The record does not justify the establishment of a youth differential." The Commission reached that conclusion for the following reasons:

The youth subminimum wage "limited potential for reducing the unemployment rate among teenagers because teenage employment increases probably would be modest and a differential is likely to attract additional teenagers into the labor market."

There is "no evidence that areas with the highest unemployment rates would be the most likely beneficiaries of a youth subminimum."

"Adult employment would be reduced by a youth differential and, forced to choose between teenage and adult employment, the latter seems a considerable higher priority."

The concept of the youth subminimum runs counter to the basic principle of equal pay for equal work without regard to race, sex, national origin or age. "If suggestions were made that the very real employment problems of women or members of minority groups would be 'solved' by paying them less for their labor, such a proposal would be rejected out of hand as fundamentally unjust. We can see no difference in principle between such proposals and those based on age."

The Commission is not alone in rejecting a youth minimum wage. The author of a study recently released by the U.S. Chamber of Commerce determined that any gain in youth employment would "occur at the cost of an unknown number of lost opportunities for adult men and women."

In 1981, my Subcommittee on Labor Standards held hearings on proposals to stimulate employment in the small business sector. At that hearing, we were advised by the American Association of Minority Enterprise Small Business Investment Companies that:

A subminimum wage would actually be a disincentive for youth entering the labor force. . .

A subminimum wage would not create Jobs in the economy because there Would still be a limited economic growth, particularly as a result of reductions in purchasing power by segment. . .

A subminimum wage for youth would Induce the displacement of adult workers.

In light of such substantial evidence, it would be callous to overlook the probability that displacement of older workers would occur if we were to enact a subminimum wage. And who are the people who will be displaced by cheaper teenage labor? Unfortunately, they will be those adult breadwinners currently toiling at jobs at or near the minimum wage.

Many are likely to be women, since nearly two-thirds of all minimum wage earners are women. In fact, it has been estimated that approximately 18 percent of all working women earn the minimum wage or less.

They are likely to be adult workers in the prime of their occupational years. Forty-five percent of minimum wage workers are between ages 25 and 64.

Thirty-eight percent of all workers 65 years or older earn the minimum wage or less.

If you are a member of a minority there is a good chance that your wages will be $3.35 per hour or less. According to the Minimum Wage Study Commission, blacks and other minorities suffer a disproportionately high percentage of minimum wage workers. In fact, one in five blacks at that wage level.

The result of President Reagan's proposal would be to displace many of those already at the lower end of the economic scale, already struggling to stay financially afloat on a wage already below the poverty line.

The federal minimum wage has been set at $3.35 per hour since January of 1981. The purchasing power of that wage in 1984 is down to $2.88 per hour. Thus in reality, we already have a subminimum wage; it's the wage we currently pay minimum wage workers.

The legislative alternative which you and Senator Kennedy have introduced would create jobs for youth, but not at the expense of adult workers.

Such a program was successfully demonstrated on a limited scale from 1978 through 1980. The final report on the demonstration concluded:

From the varied lessons in both reports, YIEPP (Youth Incentive Entitlement Pilot Projects) . . . encourages school completion and the compilation of a work-history. Moreover, the program proved feasible to implement on an extremely large scale. . . . Large numbers of jobs can be developed to alleviate youth unemployment, and that these jobs can provide meaningful work experience. Perhaps, most of all, YIEPP has shown that, when jobs are available, young people want to work—even at the minimum wage, and even while still continuing school.

A comparison of the two proposals, yours and the President's, clearly illustrates the superiority of the Hawkins-Kennedy approach. One is designed to address the problem of youth unemployment and undertraining—especially minority youth—and the other is not.

Your proposal ties jobs, training and education together to ensure that deserving young people are provided with meaningful skills. The President's might provide short-term, low-skill jobs but it would be largely at the expense of adult workers.

Your proposal requires those at the local level to develop a plan to meet local needs and to enlist the cooperation of employers. The President's proposals does not.

Your program includes outreach services to bring youths who have dropped out of school and the job market back into the classroom and onto the job. The President's proposal does not.

We do not need President Reagan's subminimum wage legislation to encourage the hiring of young, student workers. The Fair Labor Standards Act already allows some 700,000 firms to pay the subminimum wage to students. yet only 4 percent of the eligible firms participate in the program.

The tax laws include the Targeted Jobs Tax Credit. It is designed to provide employers with a sizable tax credit if they employ disadvantaged youths. The General Accounting Office and others have reported that the program suffers from a "low rate of utilization" by employers. In fiscal year 1982, the "take-up rate" of eligible employees by employers was only 3.7 percent.

The President's proposal continues this Administration's attack on the Fair Labor Standards Act. This Administration has already attempted to remove the protections for garment workers by reducing regulations against sweatshops and to reduce safeguards for child laborors. Additionally, the Administration has reduced the number of labor standard investigators by one-quarter, even though the Labor Department admits that nearly two-thirds of those employers investigated are not complying with the minimum wage law today. Yet, here we are discussing another proposal to undercut those workers. If the Department of Labor cannot enforce the law today, year-round, for millions of minimum wage workers, how effectively will Secretary Donovan enforce the subminimum wage?

Thank you, Mr. Chairman, for the opportunity to discuss the subminimum wage proposal. We should be looking for new solutions. We should not be replaying discredited ideas from the past. I look forward to working with you to resolve this serious problem.

Mr. HAWKINS. Thank you, Mr. Miller. Mr. Jeffords.

Mr. JEFFORDS. Thank you very much. I certainly understand what you are saying, Mr. Miller, but the fact of the matter is that in the real world we have huge numbers of minority people who are not being employed. Now, let me give you a couple of situations and see whether or not you would agree with me that it might be better to do something different from what we are doing.

Currently under our summer youth employment provisions, we have a requirement that they be paid the minimum wage. We have a limited amount of funds available for that program, some $700 million. If we were to pay $100 a week instead of $140 a week, we could put 1 million young people to work instead of 700,000. Is that not a good tradeoff?

Mr. MILLER. No. No; I don't think that is a good tradeoff.

Mr. JEFFORDS. In other words, you would rather have a quarter of a million young people in ghettoes——

Mr. MILLER. No; I would rather you authorized and appropriated a sufficient amount of money to deal with the problem. Quit recognizing the problem and then saying as the intent of Congress you are only going to deal with two-thirds of the problem or one-third of the problem.

Mr. JEFFORDS. Now, if we were to take your scenario then I don't know how many billions of dollars it would take to totally employ all of the young people, but that's not a real world situation.

Mr. MILLER. No, in the real world that is not the situation. The real world situation is you have skimped on these people's education. You have skimped on training opportunities for them and now you want to pick them up on a subminimum wage and you are never going to reflect the real cost of doing that. And the price is much higher than that.

We have kidded ourselves around here. We have cut these programs back and cut education back. One out of four young people drop out of high school. We have watched that trend. That's where it starts. Don't try to pick it up in some kind of safety net labeled a subminimum wage.

Mr. JEFFORDS. OK. All I can point out is that you and others have pointed this out for years and no change is made and the question is whether or not it might be wise to take a look and see if there is some reality there that by giving a youth opportunity wage that employers will not substitute, but will employ more people that would not otherwise be employed?

Now, let's take their facts and let me ask you this. If what they claim is true that you do not substitute anyone, but that you do create jobs and employment for young people who would not othewise be employed, is that good or bad?

Mr. **Miller**. There is no evidence that that is true.

Mr. **Jeffords**. That is not my question.

Mr. **Miller**. I'll answer the question how I answer the question. There is no evidence that that statement is true.

Mr. **Jeffords**. There is no evidence because we haven't tried it.

Mr. **Miller**. No, except that most of the economists that have done the studies have strongly suggested in talking to employers about what they would do is in fact that they would substitute.

Mr. **Jeffords**. If they were allowed.

Mr. **Miller**. They would not be allowed. Two-thirds of the people paying the minimum wage today who were investigated by the Department of Labor are violating the law. That is the problem. You have a Department of Labor that is not interested in enforcing the law.

Mr. **Jeffords**. That is a different question.

Mr. **Miller**. That is not a different question because it is absolutely related to this. You can put a law on the books that everybody can wink at. They can substitute older people or minorities or others for that worker and no one is going to come along and tell them they are violating the law.

Mr. **Jeffords**. Well, I don't consider it a satisfactory answer to say that we should not try something because the administration will not enforce the law and the law will be violated.

Mr. **Miller**. I think it is very important because you are suggesting to people that you are going to pass a law with a particular result and if you are not going to enforce the law and there is no understanding that this law will be enforced, there is no request for enforcement moneys. We have their own records from the Department of Labor of their inability to enforce the law and the violations of those laws acknowledged by the Department of Labor.

So there is no suggestion here that that law in a 4-month period of time—I know how the bureaucracy works and you know how it works that by the time that complaint gets to us it will be September and the person will be off the job.

Mr. **Jeffords**. Well, all I know is that there is no other answer which, with present budgetary constraints, gives any hope to these young people other than something like this. I am not at all sure I have an open mind on this question as to whether or not we ought not to provide them with an opportunity that they would not get otherwise.

Mr. **Miller**. That opportunity is there. You have the targeted jobs tax credit that lowers the wage by better than a dollar. You have the opportunity for students. Nobody takes advantage of it. The opportunity is there for the people who say that the labor cost is too high. I am telling you the issue is not the labor cost.

Mr. **Hawkins**. Mr. Hayes.

Mr. **Hayes**. Mr. Chairman, I just want to express my agreement with the views expressed by my colleague, Mr. Miller, with respect to the submimimum wage issue. There is something wrong with an approach that permits situations where the top 25 corporate executives can receive over $2 million in pay and bonuses at a time when we are talking about solving the youth unemployment problem by setting a wage below the mimimum.

And these are the future leaders of our Nation. It is unfortunate that the present administration has resurrected an issue that was rejected over a year ago as a solution to what is a tragic problem.

To reduce wages by 25 percent for our youth under the guise that this is going to create, with no facts to prove it, approximately 400,000 jobs is totally unfair. The problem with youth unemployment is not that their wages are too high but that the President's policies will so stifle the economy that there exists no demand for their labor regardless of the lower wage.

There is solid evidence that no new jobs will be created by resurrecting the submimimum wage. I am opposed to it. I think the answer—and I don't want to be completely negative. I think we do have an alternative and I think the alternative to youth unemployment has to be, Mr. Chairman, the bill that you propose, H.R. 5017, I believe, where you tie in the education and training of workers, as Mr. Miller has said, with pay no lower than the Federal minimum wage level is the proper method to address youth unemployment.

And he has said the inflation has eroded that $3.35. So we are not really in real wages talking about $3.35. So I just want it clearly understood I support the position of my colleague and I am naturally opposed to the myth that to reduce the minimum wage to $2.50 an hour is going to be any real shot in the arm to the illness of this economy as it affects our Nation's youth.

Mr. HAWKINS. Thank you, Mr. Hayes.

Mr. Nielson.

Mr. NIELSON. I would like to ask the chairman, do you have a cost figure on H.R. 5017? Do you have an estimate?

Mr. HAWKINS. Yes, we estimate somewhere in the neighborhood of $2 billion as introduced. It is included in the budget resolutions as roughly that amount. It would supply jobs for roughly 1 million young people.

Mr. NIELSON. I just have a couple of questions.

Mr. HAWKINS. May I say it is about one-fifteenth of what the administration is proposing to spend on the MX missile?

Mr. NIELSON. We are talking about apples and oranges there.

Mr. HAWKINS. No, we are not. We are talking about the ability to spend money by a Government that is willing to spend money on missiles it can't use as opposed to investing in our youth to make them the leaders of tomorrow. Maybe we wouldn't need the MX missiles if we educated them.

Mr. NIELSON. Mr. Chairman, I was not asking that question. I also want to point out that the MX missile, despite what you may think of it, does provide a tremendous amount of work to the country and the economy. It is not just providing for basic defense.

Let me ask Mr. Miller a question. I find some of your statements very interesting. You have been quite rough on Mr. Jefford's in saying he doesn't have evidence for his statement and so on, but you make quite a few statements yourself.

Let me indicate a couple I'm concerned about. On page 4, you say the ones displaced are likely to be adult workers in the prime of their occupational years. What is your evidence for that statement? That is a rather graphic statement. If they are in the prime of their occupational years, I would think they would be well beyond the minimum wage?

Mr. **Miller**. That's the tragedy in this country, Mr. Nielson, that that is not the case. If you go on, I talk about there are a number of people between 25 and 64, that 45 percent of the minimum age workers are between those ages.

The fact of the matter is an awful lot of people in this country are only earning the minimum wage. There are 11 to 13 million workers that are working at or below the minimum wage.

Mr. **Nielson**. And you say that is the prime of their occupational years?

Mr. **Miller**. Unfortunately, as we just pointed out, when most people expect their earning capacity to accelerate in this country; that things are going to get better, there is a whole group of people in that age group and then in the older workers who are working at and around the minimum wage.

Mr. **Nielson**. The other question I have, I noticed a study by Dr. Mangum, a personal friend of mine quoted by Mr. McGlotten who will speak later indicating 8 percent of the employers said they would hire additional workers if there was subminimum wage available. It is true that 83 percent said it would make no difference according to what you are saying and Mr. Mangum's study, but if 8 percent would hire more people wouldn't that contribute an awful lot of jobs in the country?

Mr. **Miller**. Well, you take the 8 percent and then take what the economists have suggested might happen in terms of displacement and substitution. You cut that down. The fact of the matter is for those employers that the wage costs, they can cut the minimum wage in half with the tax credit. They are not using that.

Mr. **Nielson**. I grant that they should do more than they are doing and that is a very good point. Simply saying that 8 percent of the employers would hire more people if they could have a subminimum wage for the summer——

Mr. **Miller**. I don't think that justifies the erosion. You asked me if that would be a good thing.

Mr. **Nielson**. No, I did not. I asked if that would not create more jobs.

Mr. **Miller**. I don't know that it would. Your question is did they take that job away from somebody else to get the labor savings.

Mr. **Nielson**. Incidentally, as I understand the proposal, there is a prohibition from replacing jobs, a prohibition from taking the job from someone else in order to provide these. This is an additional job which could be handled if they could economically do it.

If 8 percent said they could do that, I think there is a tremendous figure—evidence there could be additional jobs available rather than if Mr. Jeffords pointed out we have not tried that, but we have not tested it in the marketplace.

If 8 percent said they plan to do it, instead of saying that that is a negative, if 83 percent said they would not do it, if 8 percent said they would and 10 percent said they would think about it, it could create a lot of jobs.

Mr. **Miller**. I don't think it justifies the program given the other problems with the issue.

Mr. **Nielson**. That is a different issue.

Mr. **Miller**. It is not. It is part of the same issue. You think you can offer the wage in a vacuum. It is all part of the same question. The questions of enforcement and substitution all go with holding this out. That is my opinion. You asked me the question and let me answer it.

I do not think that the fact that 8 percent of the employers say that they would offer a job in any way indicates that that overwhelms the problems that have been pointed out with this in terms of substitution and a lack of enforcement and the erosion of the wage base.

Mr. **Nielson**. The only reason for my question is in response to Mr. Jeffords. You indicated there is no evidence or indication that there would be additional jobs created. I simply say the survey quoted by Mr. McGlotten would indicate that a considerable number of jobs would be created under this proposal. They may have some side effects that you don't like and I agree you have made some very good points, but just as to the question as to whether there could be more jobs available or not is the only point I was asking.

And as far as the trade off between this and the MX and the trade off between this and other things, I think most of those are perhaps irrelevant to this particular meeting. Thank you. That's the only question I have.

Mr. **Hawkins**. Mr. McCain.

Mr. **McCain**. Thank you, Mr. Chairman. I certainly am impressed with the knowledge and expertise of the witness who has obviously studied this issue at great length and has a lot of experience with it here in the Congress. There is one group of individuals in this country who deal with the problem of teenage unemployment everyday. I think you would agree that they deal with it a lot more than we here in the Congress do.

And that group happens to be the black mayors of this country who unanimously endorse this proposal? I wonder why they endorse this proposal. I think it is because they are seeking alternate ways to solve the problem that has been with us for a long time, from administration to administration.

I am fascinated at the lack of credence that they are receiving at this hearing. I would hope that they would be allowed or a spokesperson from the people who have to deal with the issue on a daily basis, not here in Washington, DC——

Mr. **Hawkins**. With respect to the reference to the black mayors, they have been invited to come before this committee consistently and we are still trying to have them come before the committee so their views can be made known to us. I just wanted to clear that up without any bias one way or the other.

Mr. **Hayes**. Would the gentleman further yield?

Mr. **McCain**. If I may respond to the chairman first, then I will yield. Mr. Chairman, I hope you didn't interpret my remarks as meaning I didn't think you would give everyone a fair hearing.

Mr. **Hawkins**. I did not interpret them personally. I simply wanted to point out that whether their reasons are good or bad, this committee will provide an opportunity for them to cite their reasons and give us the opportunity to discuss with them whether or not there is merit in their position.

Mr. **McCain**. Thank you, Mr. Chairman, and I would like to yield to my colleague from Illinois.

Mr. **Hayes**. Lest anyone conceive the idea that the statement or position adopted at the recent Black Mayors Conference in St. Louis represented the views of all the mayors who happen to be black in this Nation, let me hasten to say that my own mayor in the city of Chicago, the Honorable Harold Washington, plus several other mayors from the big cities were not present at that meeting and, in fact, Mayor Washington has since issued a statement to the press which clearly states his opposition to the position taken in St. Louis.

I would be glad, Mr. Chairman, if I may, to submit the statement of Mayor Harold Washington as a part of the record of these hearings. I don't want to read it in total because it would take too much time. I'll just read the first paragraph.

"The Reagan administration's proposal to slash the national minimum wage by 25 percent for young people will come before a subcommittee on the House Education and Labor Committee this week. I am urging the members of the subcommittee to repudiate this proposal."

This clearly indicates where he stands on this issue and it is shared by, I'm sure, some of the other mayors of some of the major cities of this Nation.

Mr. **Hawkins**. Without objection, the full statement will be entered in the record.

[The information referred to follows:]

[From Chicago-Defender, May 21, 1984]

The Mayor Speaks—Subminimum Wage is Wrong

(By Mayor Harold Washington)

A Reagan Administration proposal to slash the national minimum wage by 25 percent for young people will come before a subcommittee of the House Education and Labor Committee this week. I am urging the members of the subcommittee to repudiate this proposal.

The administration is attempting to withdraw our national commitment to the 45-year-old Fair Labor Standards Act and its provisions for a minimum wage. It is speaking for those who want to cut costs and increase profits by attacking those working men and women who have the least protection in the labor market.

The argument that reducing the minimum wage will open job opportunity for youth is specious. The truth is that today seven out of ten minimum wage workers are adults.

There is solid evidence that no new jobs would be created. Current federal programs provide tax incentives and wage subsidies for employers who hire youth in areas of high unemployment—monetary incentives greater than those contained in the subminimum wage proposal. Yet only 18 percent of the nation's employers have sought to utilize these programs, empirical proof that the administration's proposal will only cause displacement, not new jobs.

Those that support the Reagan measure would exploit youth at a proposed $2.50 an hour and thus replace adults who have been paid $3.35 under the present minimum wage law. They would hold hostage the lives of millions of American young people, offering them jobs only if their parents lower their already low standard of living by another 25 percent. They would not open employment opportunities, only shift unemployment and offer untrained youth the empty promise of dead end jobs.

Clearly, there is an alternative. The fact is, business and industry are calling for a work force that comes up to minimum standards of education and training. Evidence abounds that legislation to combat youth unemployment must contain provisions for basic education. The administration's proposal contains none, and for three years we have experienced cuts and underfunding in job training and education.

For this reason, I support the Hawkins-Kennedy Bill that ties employment to education and training, and improves the long-term employment prospects of young men and women entering the labor force.

For three years, the administration has failed to make any significant reduction in unemployment. The key is a national economic program that includes development of skills and basic education. I urge members of Congress to examine closely the provisions of the Hawkins-Kennedy Bill. I believe they will concur that skill development, not cuts in the minimum wage, will bring us closer to full employment.

Mr. NIELSON. Will the gentleman yield?

Mr. MCCAIN. What little time I have remaining, yes, sir.

Mr. NIELSON. Is it your intention to also submit the statement of the Conference of Black Mayors also in the record?

Mr. MCCAIN. Yes, sir.

Mr. HAWKINS. Without objection, so ordered.

[Information referred to follows:]

BLACK MAYORS SUPPORT AN EXPERIMENTAL SUMMER YOUTH OPPORTUNITY WAGE PROGRAM

Washington, DC—At its recent convention, the National Conference of Black Mayors with an urgent need for new national policies to reduce unemployment among minority youth, passed a resolution in support of an experimental summer youth opportunity wage program.

The resolution came in the face of strong arguments against relaxing any aspect of the standard wage floor.

At issue was the Mayors' concern that any lessening of wage standards versus the compelling need to develop new solutions to get minority youth off the streets and into gainful employment be addressed immediately. Present estimates of black teenage unemployment range as high at 75 percent.

A critical element in persuading the National Conference of Black Mayor's membership to go along with the ground-breaking resolution was the experimental character of the intiative, as well as the crisis of black teenage unemployment.

The real-life experience of black mayors at the grass roots level of government—seeing more and more structurally unemployed minorities, especially young blacks, and less and less money for summer employment—dictated that there be some effort—some experiment to help now to solve the problem.

The mayors hope that their leadership on the subject will lead to a constructive dialogue within the national and local communities on how best to assure mainstream employment for black youth.

The fear expressed by some mayors was that support for this youth measure might be misread or misconstrued to suggest weakened support for adult employment at full wages. To meet these concerns, clear provisions were insisted upon to bar any adult worker displacement, under pain of civil and criminal penalties.

The resolution adopted by the Board of the National Conference of Black Mayors in St. Louis, is as follows:

"The National Conference of Black Mayors (NCBM) believes that everyone should earn the minimum wage or above. However, given the tremendous problem of youth unemployment and particularly the problem of minority youth unemployment and given the persistence of the tragedy of youth unemployment, despite a history of programs designed to reduce youth unemployment, be resolved the NCBM supports an experimental summer youth opportunity wage program which increases youth employment opportunities which would not displace youth or adults currently employed at or above the minimum wage, and which provides sanctions sufficient to prevent abuse."

For further information, please contact Michelle Kourouma (404) 892-0127 or Sam Tucker (202) 628-1411.

STATEMENT BY BOARD OF NATIONAL CONFERENCE OF BLACK MAYORS, APRIL 20, 1984

"In a dramatic opening session of the National Conference of Black Mayors, the urgent need for new national policies to reduce unemployment among minority youth led to the passage of a resolution in support of an experimental summer youth opportunity wage program.

"The resolution came in the face of strong arguments against relaxing any aspect of the standard wage floor.

"At issue was the Mayors' concern that any lessening of wage standards versus the compelling need to develop new solutions to get minority youth off the streets and into gainful employment be addressed immediately. Present estimates of black teenage unemployment range as high at 75 percent.

"A critical element in persuading the National Conference of Black Mayors' membership to go along with the ground-breaking resolution was the experimental character of the initiative, as well as the crisis in black teenage unemployment.

"The real-life experience of black mayors at the grass roots level of government—seeing more and more structurally unemployed minorities and especially young blacks—and less and less money for summer employment—dictated that there be some effort—some experiment to help *now* to solve the problem.

"The mayors hope that their leadership on the subject will lead to a constructive dialogue within the national and local black communities on how best to assure mainstream employment for black youth.

"The fear expressed by some mayors was that support for this youth measure might be misread or misconstrued to suggest weakened support for full adult employment at full wages. To meet these concerns, clear provisions were insisted upon to bar any adult worker displacement, under pain of civil and criminal penalties."

Resolution Adopted by Board of National Conference of Black Mayors, St. Louis, MO, April 18, 1984

"The National Conference of Black Mayors (NCBM) believes that everyone should earn the minimum wage or above. However, given the tremendous problem of youth unemployment and particularly the problem of minority youth unemployment and given the persistence of the tragedy of youth unemployment, despite a history of programs designed to reduce youth unemployment, be resolved the NCBM supports an experimental summer youth opportunity wage program which increases youth employment opportunities which would not displace youth or adults currently employed at or above the minimum wage, and which provides sanctions sufficient to prevent abuse."

Mr. McCain. In what little time I have remaining, Mr. Chairman, I would say that I think their position on this issue is very crucial because not only are they the ones who have to deal closely with the problem, but they also would have to be responsible to a great degree for the implementation of these programs. As a bit of historical interest, a couple of years ago Mayor Bradley of Los Angeles and Mayor Koch of New York volunteered their cities as experimental programs.

I think that one of the problems we have, Mr. Chairman, is that there is a failure to at least attempt pilot programs in some of these areas. For example economic enterprise zones are being implemented successfully in 23 States in this country. There is ample evidence to show their success, and I would be glad to provide it for this committee.

So I would hope that we would at least give consideration to this bill at least on an experimental basis and I thank you for my time, Mr. Chairman.

Mr. Hawkins. Thank you. Mr. Martinez.

Mr. Martinez. No questions.

Mr. Miller. Mr. Chairman, if I just may take 1 minute of the committee's time, let us not pretend that the proposal for the subminimum wage is a new proposal or a proposal that is the only alternative to the cost of labor for employers. We have a targeted jobs tax credit and we have a provision in that that is far better for the employer than the subminimum wage.

They can claim 85 percent credit for the first $3,000 they pay to somebody during the summer. I don't know many people who earn

$3,000 during the summer, but that is what it allows. Now, if they want to hire somebody year round they can claim a 50-percent tax credit for the $6,000 of the wages. But what I ask you to remember is I initiated hearings on the minimum wage, because I, at one time, wanted to believe that the subminimum wage would work. And I couldn't find the evidence that it would.

I think what you see is when the Congress has historically addressed this problem we have decided that we as a society should collectively share the burden of meeting the problem and that is why we use the tax credit system, not that we ought to foist the burden back off on the unfortuante disadvantaged youth by making him subsidize the solution of that problem with his labor at a cheaper rate we have alternatives.

Unfortunately the business community for the most part has not picked up on those alternatives. Let those 8 percent of the employers come forward, claim their tax credit and give this person a decent wage. That is almost in a pilot program because the employers haven't picked up on it. But at the same time we are not eroding the wages of older workers, of workers at the minimum wage and we are supplying a wage base to the younger person that is in keeping with our provisions of equal pay for equal work.

So, let's not consider the subminimum wage in a vacuum that this is the only proposal that will reduce the cost of labor and provide an incentive to hire youths and further let's remember when the studies have told us that most of the new job creation is not where the minority youth are. Most of the new job creation is in the suburbs. It is in the strip development that I have in my district that I think others have in their district.

There is no requirement that the subminimum wage be targeted to disadvantaged youth. The only requirement is that a youth show up and get the job and if he or she is willing to make less than $3.35 an hour they get the job. So let's not kid ourselves that we are doing something great for the minority youth and the disadvantaged and underprivileged in this country because that is not what it is about.

That is what the targeted jobs tax credit is about is to target it for the employer who will step out, show the courage, the commitment and the compassion and hire disadvantaged youth. So there is no need to accept this proposal. What we really have found out, and I don't know if this makes Democrats or Republicans happy, but what we have really found out is that teenage unemployment, minority and white, is affected by the economic cycles, that the economy has far more impact on them according to the economists than whether you fool around with the minumum wage; that the economic cycles have more to say about their employment opportunities.

I think we are experiencing that this summer. The economy is picking up. More people are going back to work and more teenagers are going to work. Unfortunately not enough minority teenagers are going back to work, but again I take you back to the fact that the new job creation and maybe it is in the enterprise zones that you refer to Mr. McCain, but most of the new job creation is not where minority teenagers are living on a day-to-day basis.

I can go on and on. We can compound their problems of getting to those jobs if they were offered the jobs in the suburbs. In my county you would be too old for this job by the time the bus got you to the job. It is just not there in that kind of suburban county and those are the problems that we have to encounter. That is why you talk about job creation by getting this partnership of Government and employers together to try to create those jobs.

That is why the Congress is going to look at the enterprise zones and those kinds of efforts because these jobs don't exist. Everyone says McDonalds wants this or Burger King wants this. That's not the case, first and foremost, and most of that expansion is elsewhere. So I would just hope that the committee would not just say this is the only alternative to the minimum wage. The books are full of alternatives to minimum wage for students and disadvantaged youth.

Thank you very much, Mr. Chairman.

Mr. **Hawkins**. Mr. Nielson?

Mr. **Nielson**. I just wanted to ask Mr. Miller if he would submit for the record the background material on page 7 where he says the administration has already attempted to remove the protection for garment workers by reducing the regulation against the sweatshops.

Mr. **Miller**. I would be delighted to.

[The information follows:]

(Note.—The above information is contained in the hearing record, "The Reemergence of Sweatshops and the Enforcement of Wage and Hour Standards." Hearings were held by the Subcommittee on Labor Standards, Committee on Education and Labor, U.S. House of Representatives, in Washington, DC, on May 19; Los Angeles, CA, on June 29, 1981; New York, NY, on April 26; and Washington, DC, on May 12, 1982.)

Mr. **Hawkins**. Just one second. You have invoked a little controversey.

Mr. **McCain**. Mr. Miller, I certainly appreciate what you have to say, particularly on the economic cycle, and as you say, they are the most affected when we are on the increase or the decrease. However it also appears to me, as you said, that there is that hard core at very high numbers which are not affected by this cycle.

The point I am trying to make here is that I think we should be willing to try almost anything; any proposal ranging from economic enterprise zones to the chairman's proposal (even if they are on an experimental basis or a pilot program). We should address this problem as it has been with us for a long time.

I think it is easy to reject failures of the past or to reject programs that we may want to try for various and some valid reasons, but in my opinion, I think we should try them all.

Mr. **Miller**. I think the problem is so desperate that basically I arrived at the same conclusion. But when you say you are going to accept any proposal, then I think you have an obligation to look at the subminimum wage proposal and say does this really do what we want it to do. I think the fact that it is not a targeted proposal, it doesn't go into the minority neighborhoods to any great extent because it is not required.

I think you have an obligation because the frustration—I've been 10 years on this committee and as I say at one point I was looking at the subminimum because I thought it would create jobs because I think the grinding, grinding poverty of these young people as they stand on the street corners, not just in the summer. Most of them stand there all year round.

I think we have the same goals. We have a duty and obligation to say whether it is a pilot project or not. Does this have a high likelihood of accomplishing those goals and at the same time what are the detriments. I think when you weigh this proposal against the other alternatives, this is not a superior proposal. If we all put in our newsletters and explain the jobs tax credit to employers in our districts, because the Department of Labor won't explain it to them, the IRS sure doesn't explain it to them. We may create more jobs this way than you would with this proposal. It is out there for the employment community if they want to step forward.

One of the big problems is that the minute you say you have to take disadvantaged youth, they say that is why I don't want them, because they are disadvantaged. They don't want to invest in the training time.

I'd better get out of here. You have a hearing to do.

Mr. HAWKINS. This is something that keeps coming back. Its proponents have said that this is going to help minority youth and the President has sold the idea on that basis. In the proposal itself, do you know of any targeting mechanism or any language that speaks about economically disadvantaged individuals?

The only qualifications included in the proposal is that the individual must be under the age of 20. Now that can mean any individual. There are four white unemployed youth in the 16 to 19 age group to every one black. The odds are that the white youth, who may have a geographic advantage of being where the jobs are, could get most of the jobs. We could end up with middle-class youth from middle-class families benefitting much more than the truly needy.

So if you have an untargeted proposal, it seems to me to be a little untruthful to be selling the proposal on the basis that it helps economically disadvantaged when that is not one of the criteria for eligibility.

Mr. MILLER. I will be more cynical than that. I think this proposal is even more cruel than that. I think it may go to black youth after those four white youth turn it down, because they don't need the money, and they won't work for $2.50 an hour. Then maybe it will go to the black youth.

That is why this program fails and that may be the most cruel little hoax of all. At that point you have arrived at the conclusion that a black person's labor, that minority person's labor is worth less.

Now there is a country in the world where they do that, but it is not this country. So I will be more cynical than that, but there is no targeting.

Mr. HAWKINS. If it works, why not just extend it to adults?

Mr. MILLER. Because the politics in the Congress of the United States would never allow that to happen. Thank you.

Mr. HAWKINS. If there are no further questions, thank you very much.

Mr. MILLER. Thank you. A strong letter to follow on the subject.

Mr. MCCAIN. Mr. Chairman, I wonder if we could look at this legislation and target it to economically disadvantaged persons.

Mr. HAWKINS. We are only speaking of the proposal before us. I would think you might discuss it with Mr. Packard, who is, as I understand it, the principal author of the legislation, about some change. I assume the bill will be introduced and come to this committee and then we can deal with it as we see fit.

I would suggest discussing it. I personally have no desire to deal with the legislation from the viewpoint of trying to fix it up because I think basically it is wrong. But if those on this committee would like to do so, we certainly will discuss it and consider that.

Mr. MCCAIN. I understand, Mr. Chairman.

Mr. HAWKINS. Thank you.

We welcome another of our colleagues, the Hon. Julian Dixon, a colleague of ours who has distinguished himself in this and other fields.

Mr. Dixon, we will not go through all of the accolades that we could bestow upon you. We are looking forward to your testimony this morning, however.

STATEMENT OF HON. JULIAN DIXON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. DIXON. Thank you very much, Mr. Chairman and members of the committee, for the opportunity to present testimony this morning on behalf of the Congressional Black Caucus. I will be brief and I happened to be present in the room when Mr. Miller was testifying and would probably like to use some of the opportunity that I have this morning to address some of the issues that were raised.

I have a written statement that is very brief. As I indicated, I am here on behalf of the Congressional Black Caucus and the 21 members to express our unanimous support of the H.R. 5017, the Youth Incentive Employment Act. We believe it is this legislation which offers our Nation the best hope of relieving the burden of joblessness, which is crushing the hopes and aspirations and self-confidence of the millions of American young people.

Unlike the administration's proposed response the Youth Incentive Employment Act targets help for those who are most in need and insures that the participants continue their education and training so essential for future development and success.

The bill focuses on economically disadvantaged youth and addresses the core problem of teenage unemployment in a segment of our society that has benefited least from the economic recovery by mandating that participating youth must maintain certain minimum performance standards in school or training programs. We are fighting structural unemployment by reducing the numbers of young adults seeking employment without adequate skills.

If you contrast that to the President's proposal I would say that the Congressional Black Caucus is unanimous in its opposition to the President's subminimum wage which offers, in our opinion, no solution to the problem of youth unemployment.

The claims made by the administration regarding this proposal, I think, are as misleading probably as the title, for it is more an employer's opportunity; not a youth opportunity. And I would suggest that if 8 percent or 10 percent of employers responded favorably, they saw great advantge to them.

In making this proposal to restructure the Fair Labor Standards Act, the administration has not provided evidence to suggest that this will either generate new jobs, which otherwise would not be filled or that the subminimum wage will train young people for better future employment.

We also disagree with the implication that somehow the minimum wage is responsible for young people and particularly low-income young people being out of work. It is the lack of access to training and education coupled with the general economic conditions which limit opportunities and threaten our next generation.

We believe that solution rests with efforts such as the Youth Incentive Employment Act, which would stimulate the training and hiring of disadvantaged youth without reversing the principle of equal pay for equal work. Let me, for a minute, touch, since the dialog has focused on the President's proposal and let's consider some of the claims that are made.

One claim that is certainly made is that the lesser wage young people receive will be offset by training received. In other words, the low wage for young people will have some balance. Now we all know that minimum wage jobs, by their very nature, are low skill jobs and most training for working in a factory or canning pears or bussing tables is accomplished the first day or the first week and generally does not lead to upward mobility without additional education or training.

The second thing that is said is that the establishment of subminimum wage will not replace old workers. I think this is really an empty assertion since only the discharge of present workers is prohibited. Minimum wages are traditionally high turnover and nothing in their proposal prevents an employer from using teens to fill jobs traditionally held by adults at a minimum wage.

As you have said, Mr. Chairman, this proposal will pit father against the son and mother against the daughter in many low-income communities where the competition from jobs is very keen. Essentially, in the areas of seasonal employment, employers given the choice between $2.50 an hour for a teenager and $3.35 for an adult will obviously choose the latter.

Further, the Reagan administration has already dismantled the mechanism which would monitor employers to ensure that older workers are not being displaced. The number of Fair Labor Standards inspectors has been reduced 25 percent in this administration with only 3 percent of the Nation's workplaces presently being reviewed.

The current $3.35 minimum wage is flexible and discourages employers from taking the risk of hiring youth. Not only is there flexibility within the minimum wage which I think has been pointed out by Mr. Miller and others, but within the FLSA there are provisions whereby college, retail and service businesses can pay full-time high school students 85 percent, $2.75, I believe, if they qualify.

It is for these reasons that we believe that the Youth Incentive Employment bill will generate meaningful employment and insure access to education and training for low-income young people. Under this $2 billion proposal, some 1 million youth would have a first opportunity to obtain a meaningful job.

I happened, Mr. Chairman, to be present in St. Louis at the time that the black mayors met and I have worked very closely with many of them. I think, one, you have to examine the composition of the organization. Of the mayors in that organization, most are not full-time mayors and as Mr. Hayes points out, none of the mayors in the bigger cities—Chicago, Philadelphia, Los Angeles and others—participated in that forum.

There is an axiom that to get along you have to go along and there is no doubt in my mind that black mayors particularly from small commmunities must survive through any administration. And it cannot be denied, I would think, that part of the reason is to go along with a proposal particularly when they can see that there is no better proposal being offered up by the administration.

Third, it is clear from a political dynamic that if they are only to receive a limited amount of money for summer youth programs from their perspective, they can spread x number of dollars a lot further. Now that does not make it correct, but certainly it takes no mathematician to discover if you get $2x$ and you must pay x that if you reduce what you have to pay, you can spread it from a political base a lot further.

So these may be some of the motivations on the part of the mayors in adopting the proposal of the President. With that, Mr. Chairman, I would say that our position as relates to the Congressional Black Caucus is unanimous as it relates to the support of your bill and also unanimous in opposition to Mr. Packard's bill and what the President is offering.

Mr. HAWKINS. Well, thank you, Mr. Dixon.

I yield to Mr. McCain.

Mr. McCAIN. Thank you, Mr. Chairman. As far as training is concerned, I view training, Mr. Dixon, as not only how to do a particular job, but employability skills. Unfortuntely, studies have shown that many of our hard core unemployed of all races do not have these skills: showing up to work on time, how to fill out a Social Security form and those other aspects of employment which, unfortunately, many of our unemployed have never had the opportunity to be involved in.

I don't believe that this program would be targeted to students. In fact, unfortuntely, a great number of our hard core unemployed are not students. They are dropouts from school and it is my understanding that as much as we would love to have them go back to school, we would also like to provide them with jobs.

Also, I am fascinated that because many of the mayors are part-time mayors somehow they should not have credibility on this issue. Also, I don't believe that any mayor I know of is willing to go along to get along. I think that their voice is heard.

I think they are an important voice. They represent the many people who have to be involved in the day-to-day problems not here in Washington where the laws are passed, but in the cities and towns where they are implemented. I would be very interested in hearing their response to your statement about them going along to get along.

Thank you very much, Mr. Chairman.

Mr. HAWKINS. Mr. Martinez.

Mr. MARTINEZ. You know, one of the things that you said, and I agree with everything that you have said because it is more in the world of reality than the proposal by the administration. In the area that I represent, there are a lot of youth unemployed and in one particular area they were a major problem. And I go back to that experience that what those young people really needed was training because once we got them trained through the East L.A. Skill Center, they got jobs.

The problems that we had in that area were eliminated. They need training, not subminimum wages. They need training. The schools that we have—there are two schools in our area where the youth that have problems in the regular school are sent. And the biggest thrust of those two schools is to train them to do some kind of work and a big area that they work in is getting those young people placed in jobs. And that is where they are most successful in training those kids and placing them in jobs. And that is what is going to correct the problem of unemployment of youth in this country.

Mr. DIXON. If I could respond, Mr. Martinez, I would agree with you. Mr. McCain asserts that there will be some job training basically in two areas: low level job training skills and he cites two things—one, the filling out of the application. I would suggest to you, Mr. Martinez or Mr. McCain, that if the person doesn't fill out the application right, the employer is not going to work with that person.

With the job market such as it is today, even for $2.35 an hour if the person doesn't arrive to work on time, there are going to be five others waiting for that job. And so unless you have a constant responsibility on the employer to provide some training at these basic fundamental skills, they are not going to take the responsibility regardless of what you pay them because there are so many people out there that will take the job and follow through with it.

Mr. HAWKINS. Mr. Hayes.

Mr. HAYES. I just want to associate myself with the statement of my colleague, Representative Dixon, but it seems there could be a kind of thinking and developing within this committee that if we pinpoint this particular subminimum legislation to the black and disadvantaged commmunity that this might be a solution to what is a recognized problem.

In Chicago, for example, I guess the unemployment among youth in the black community must be at least the 60 percent. If we directed it specifically toward that, revised it, do you see this as any real help to the black community?

Mr. DIXON. Absolutely not, Mr. Hayes. Not only is unemployment among teenagers high in the black community, unemployment among male adults and although the President's proposal says that no one can be fired, certainly you can identify a person who is an adult who might have received that job at minimum wage.

So as I have indicated before, there is a strong possibility of displacement. Second, from the real world, I cannot see any enforcement. One, we have moved away from that by defunding the enforcement agency; two, it is a 3-month program so I cannot really feel that the Department of Labor and others are going to be out there enforcing this and monitoring this.

It would certainly probably be more expensive than the program itself.

Mr. Hawkins. If the gentleman would yield, wouldn't it also apply in the case of a "mom and pop" store? Won't single entities as well as big companies be allowed to pay a subminimum?

How in the devil can you prevent displacement under a law that says anyone can pay less to an employee under the age of 20? There are so many employers in this country that we could not possibly enforce the antidisplacement provisions of such a law.

The Department of Labor certainly isn't in a position to do so because it can't enforce the current minimum wage law.

Proponents of a subminimum wage seem to be saying that they are for something other than H.R. 5017 because H.R. 5017 will cause us to spend some money and they are opposed to spending any money on any domestic program to provide jobs for anyone.

Mr. Dixon. Well, we are for it as long as it doesn't cost us anything.

Mr. Hawkins. Mr. Hayes, were you through?

Mr. Hayes. I was through. I just want to make one little statement. We are not opposed to spending money on programs where some people reap huge profits when it comes to arms and things of that sort.

Mr. Hawkins. Thank you.

Mr. Gunderson?

Mr. Gunderson. I will pass, Mr. Chairman.

Mr. Hawkins. Mr. McCain.

Mr. McCain. I will pass.

Mr. Hawkins. Just one point I think you obliquely covered, Mr. Dixon. Mr. McCain, I think, has accurately stated that there is nothing wrong with demonstration programs. Why not experiment? May I recall what you also explained previously to this?

This committee in 1977 sponsored [illegible] the Congress adopted the Youth Employment and Demonstration Projects Act, which provided, among other things, the incentive program which is the basis for H.R. 5017. That program operated until the current administration took office. It was evaluated by a private sector company and approved as being a very successful program. This is a demonstation that has succeeded, yet was abolished by the current administration.

So this idea of demonstrating something or trying it out as a pilot program is certainly a good idea, but if the demonstration proves to be successful as it did under the youth incentive entitlement pilot project, then why not implement it full scale? Why attempt another demonstation program when a highly successful one has been thoroughly tested and evaluated?

Mr. **Dixon**. Well, that issue was raised when Mr. Miller was here, I believe, basically and certainly Mr. Hawkins, I would agree with you. I think one step further, too, I think you have to ask whether the demonstration program is attempting to reach a desirable goal.

To do that you have to decide what the legislation does. One of the things that this President's proposal does, I think, has a strong tendency to displace potential people over the eligibility age of the program. I don't think that is a desirable goal.

Mr. **Hawkins**. You have on this program youth under the age of 20, some of whom will have families. I don't know how many, but certainly a substantial number. They will not obviously be given any training or education.

On September 30, the program would terminate. What happens to that youth on November 1 after this so-called summer pilot program has ended? There is no requirement that the youth go back to school. The assumption is that we are talking about schoolchildren and that some how they are going to go back to school voluntarily on September 30. Obviously 19- and 20-year-old young people who may have families are not inclined to go back to school on November 1.

That is the day that determines their destiny. Do you see any proposals that those individuals will go back to school or that they will then be thrown into the labor market at low paying wages?

Mr. **Dixon**. Mr. McCain alludes, I believe, to the fact that these young people will have received some fundamental skills by that time. One, they will have learned to fill out a form and I think I indicated that, in my opinion, is if they do not fill out the initial form correctly, that they won't get the job, but two, they will have learned the basic skill of arriving on time and some discipline.

I don't see that occurring either because I think the pool is so large that we tend to be less tolerant in our society of those people who have few skills and more permissive in our society with people that have a great deal of skills.

I, as a bus boy, may probably come late and be discharged, but you as the maitre d' can probably come late and it can be excused. So I don't think they are going to learn anything. I think they are going to be discharged and replaced by someone else. I am saying all that to say I don't see any benefit. I don't see any incentive for training or encourgement.

I don't see that there is going to be any training and come September they will just be out on the street again. And perhaps some employers will have benefited from the 3 months, but I doubt if the unemployed will have benefited at all.

Mr. **Hawkins**. Mr. Jeffords.

Mr. **Jeffords**. Thank you, Mr. Chairman. I certainly want to point out first of all that I am not convinced one way or the other yet on the youth opportunity wage, but I do know that on the one hand we have a serious problem with millions of unemployed youth especially in the big cities.

Second, nobody has come up with an adequate solution to this problem. And, third, that black people and people who are very desirous to solve the problems of minority youth have risen in support of this program. I think we ought to take a look at it and not just emotionally react against it.

Also, I would point out that we do have, under existing law, the authority to implement those programs to which the chairman is referring, to try and assist and train the young people, under section 205 of JTPA. That authority is there. So to say that those programs are done away with—and I just might reflect a little bit on the proceedings that led up to JTPA. I tried very much to get the specific wording of some of those demonstration programs into the law but there were there attacks on both sides of the aisle against the inclusion of such language. They wanted to make it more flexibile to give more opportunities for the Government and SDA's to be able to implement programs.

So there is authority under existing law to get youth back into school, and to support youth back in school. I think there might be some changes that might be desirous, but to say there is no authority in existing law to do that, I think, is incorrect.

I think the basic question, though, comes down to whether or not, when we have millions of young people unemployed, we can do something to provide jobs for them. Now, one option is for the Government to hire them all. This is not a realistic option right now.

We just can't get that money. We haven't got enough money to fund existing programs. The second question is whether or not we can devise something which will give the incentive to the private sector to provide jobs to young people. That is what we are talking about here.

The question then is—will it create more jobs or will it just substitute people for jobs? This program, as I understand it, intended to create more jobs, and there supposedly are protections in the law to prevent substitutions. The answer to that, Mr. Miller says, is that they aren't going to enforce the law. Therefore, there will not be job creation, and therefore we are not going to do anything.

Well, if you take that position, where are we? We have created no more jobs. We have still the same number of young people unemployed and we have not even tried an opportunity to see whether another program will work.

Mr. McCain. Will the gentleman yield?

Mr. Jeffords. I will be happy to yield.

Mr. McCain. I would also like to respond to the question that the chairman commented on about demonstration programs, especially his particular bill which was judged to be very protective and yet was abolished. I would say the same thing is true of the economic enterprise zones which have been tried in 25 States; demonstrated and proved effective, yet this Congress will not address legislation in this field either.

So I think that we have a two-edged sword here on these issues; whether we should address and whether the Congress can enact programs or not. I thank the gentleman for yielding.

Mr. Hawkins. Mr. McCain, we are very ready to consider the enterprise zone legislation in this committee. We have indicated that. Mr. Kemp has been assured by me that in concept I personallly agree with him. However, they have not referred the legislation to this committee to include suggestions.

We would be very glad to provide that opportunity.

Mr. McCAIN. Thank you, Mr. Chairman. I was not referring to this committee specifically. I was talking about the fact that Congress will not address the issue. It is very unfortunate it will not because enterprise zones have proven to be very profitable. This information comes from men like Congressman Garcia and others in the Hispanic caucus who have seen these programs in action.

So I guess my point was, sir, that programs you favor have been abolished, while programs that I favor have not even been considerd by the Congress, much less attempted.

Mr. HAWKINS. Thank you.

Mr. JEFFORDS. Let me ask one specific question because this is something we might be able to deal with without getting into the morals of a subminimum wage. Under our present summer youth programs we require that a minimum wage be paid. Yet we have a limited amount of funds—at least that has been my own experience with young people in my area—and we have a large number of unemployed youth for whom $100 a week would be a rewarding experience.

We presently require minimum wage under summer youth programs which means instead of being able to employ a million young people at $100 a week, we are going to employ somewhere around 700,000 at $140 a week. I wonder if you would agree with me, as many have, that under such situations, getting away from substitution and the like, that it would be better to put another quarter of a million young people to work at $100 a week than it would be to put a quarter of a million less to work at $140 a week?

Mr. DIXON. Mr. Jeffords, I absolutely agree with what you have said, maybe not your conclusion. And that was one of the reasons I cited that the black mayors may have enforced this proposal, bcause from their point of view you could spread the pie or the cake a little bit further.

I think in the case in many cities the summer youth jobs program, it is my experience from just general observation, that many of these young people are highly motivated to return to school. They are only in the job market at that particular time.

The issue that Congressman Hawkins' bill, is trying to address and I assume the President's proposal, were people that we generally define without any skills. And what Congressman Hawkins is trying to do, as I understand it, is to provide incentives and training. That is the issue from my perspective, but I would agree with you. And I think it is a legitimate issue to raise for summer youth programs. And it is part of the motivation of the black mayors' enforcement.

Mr. HAWKINS. As a matter of policy in this country, we try to provide an opportunity for the youth to go to school and then to bridge the gap between school and the world of work, to provide some transition. So what we attempt to do is to help that youth find a place in society, a place in the economy. To think that by valuing the labor of an individual based only on age, helps that youth to find self-esteem and to be provided with the substance of life itself, is simple mindedness. We are talking about youth who may be 18, 19, 10 years of age, not just the 14-, 15- or 16-year-olds school kids.

We are talking about those with responsibilities, either to a family which they head or to one they are a part of. To say that this is a solution, to me, runs counter to the whole idea in America that you are paid what you are worth, not on the basis of your age.

The logic behind this is the same as saying that elderly people are going to be paid less or that blacks are going to be paid less as a group or women are going to be paid less. The idea that there is something magic about this proposal is the most idiotic idea that has been expressed in recent years.

Why are these people in this situation to begin with? They are there because of cutbacks. Unfortunately, a lot of us voted for those cutbacks. They are there because we have used unemployment as a means of trying to control inflation and now they are in that unfortunate situation. Are we now going to say you are not worth more than $2.50 an hour?

The President goes in to the Rose Garden and goes through the motion of talking about swinging a pick axe. I see young people in this audience here. Are we going to offer these young people a pick axe job at $2.50 an hour? How long would they last? Suggesting that we pay our young people $2.50 an hour because that is all that they are worth is the most demeaning, insulting proposal that has come out of any administration.

Mr. **Dixon**. Mr. Chairman, I certainly agree with your statement and the caucus does. Speaking for myself, if you were a black mayor of a community of 120,000 and you had *x* number of students that were going to be out of school during the summer, from a political point of view you have beat on the door and you have tried to get more money. And you are not going to get more money.

You observe Congress and you personally feel that there is little doubt that they are going to move a substantial program to do some of the things that you suggest. From a political point of view, you may now be ready to make the political decision to take the same amount of money and spread it out.

Mr. **Hawkins**. Well, I would say you should be defeated, whether you are black or white. About 80 or 90 percent of my constituents would be affected by this proposal. For me to go out in Watts, as you well know, and to face young people and tell them that they are not worth more than $2.50 an hour, would be heartless. I would be thrown out of office the next week. I can assure you of that.

I would deserve to be defeated if I advocated such a thing.

Mr. **Gunderson**. Mr. Chairman.

Mr. **Hawkins**. Yes.

Mr. **Gunderson**. I guess I just have a question. I would be interested as to whether this is a hearing where we are supposed to get testimony or whether the purpose of our meeting is to make partisan political statements? If we want to sit up here and make political statements and badger everybody else, I can play that game, too.

Mr. **Hawkins**. You have the freedom to do so.

Mr. **Gunderson**. But is that the purpose of the hearing? We have a whole list of witnesses here and I would frankly like to hear these people. We have already probably had too much time in the political arena this year. We have got a lot of time between now and November to go out and state those ideologies.

I would be interested in what we are going to do today.

Mr. HAWKINS. Well, the President sets the example, Mr. Gunderson, each time he holds a press conference. He often makes political speeches which are clearly partisan political ploys. Turnabout is fair play.

Mr. GUNDERSON. Well, that's your opinion and that is my question. If we want to spend the rest of the morning debating this issue, then I am happy to sit here and debate it with you. I am not a cosponsor of this bill, but I will tell you as the gentleman from Vermont said so eloquently earlier, there has to be a little bit of reality in this thing.

Every one of us would love to be dictator for a day in this country, but we don't have that opportunity in the United States of America. This is a country where compromise works. The gentlemen from California, Vermont, Wisconsin and everyone else at this table and in this Congress must sit down and take our different priorities and perspectives and work out a middle ground.

If all we want to do this morning is sit here and debate political philosophy, then frankly, I will go to one of my other hearings. But if we are going to hear the testimony of the various people——

Mr. HAWKINS. We are going to hear from every witness who is here. They have the freedom to make any statement that they care to and so do you, Mr. Gunderson. If in any way you take issue with the fact that we are pointing out, not only the economic unsoundness of this proposal but also the social injustice in it, then feel free to exercise your right to speak freely.

As long as I am chairman of this subcommittee, we are going to provide free expression whether we agree or disagree with the individuals making those statements.

Mr. DIXON. Mr. Chairman, I have taken much too much time, but I do think that I have to put it in focus.

My comments were not partisan in nature, but the question was asked when I was in the room of the former member as to the black mayors. I indicated to the committee that I was present in St. Louis at that point in time and I gave some three reasons why I thought maybe part of their—what I thought may be part of their motivation.

I did not intend that to be partisan because, as a matter of fact, some of the mayors there were Republicans and some were Democrats, but I was responding to a question asked since I was present at that meeting.

Mr. HAYES. I just want to make one comment. I don't think anyone should have any illusions that it is political or philosphical. We just face up to reality. What is being asked by this Administration is that the youth who are unemployed, in order to maybe have a job, make a sacrifice of 85 cents an hour below the Federal minimum wage.

And we say in reality, those of us who are opposed to it, that this is not going to create any new jobs. The Commission, itself, over a year ago indicated this would not happen and we certainly need to look at an alternative proposal which some of us feel is in H.R. 5017.

Mr. HAWKINS. Thank you, Mr. Dixon. A very excellent statement. We appreciate your appearance before the committee.

Mr. DIXON. Thank you, Mr. Chairman.

Mr. HAWKINS. The third panel consists of Mr. Elton Jolly, national executive director, Opportunities Industrialization Centers of America and Dr. Maurice Dawkins, Director of Government Relations, OIC.

I wish to personally recognize Dr. Maurice Dawkins, who is certainly not a stranger to this committee. He is a very close friend and actually at one time my minister—still my minister emeritus. Dr. Dawkins, we are delighted to have you before the committee. We look forward to your testimony.

STATEMENT OF MAURICE DAWKINS, DIRECTOR OF GOVERNMENT RELATIONS, OIC, WASHINGTON, DC

Mr. DAWKINS. Mr. Chairman, I must say at the outset that Rev. Leon Sullivan would like to have been here. He sent his regrets and personal greetings to you. And I am representing him and also that I recognize as the late President, Woodrow Wilson, was awakened one morning at 3 a.m. by a call from the Port of New York, where the assistant director of the port told him that the director had just died and the President said somewhat ill-humoredly, "Well, my good man, why are you calling me at 3 o'clock in the morning to tell me that the director has just died?"

And he said, "If it is all right with you, I would like to take his place." And the President said, "If it is all right with the undertaker, it is all right with me."

I think perhaps when you try to substitute for someone, they want you to drop dead. Trying to substitute for Leon Sullivan puts me in that category. I will do my best.

I am the national director for Government relations of OIC of America, the Opportunities Industrialization Centers. I come to represent our board chairman, the Reverend Leon Sullivan, national executive director, Mr. Elton Jolly, and the director of the Washington, DC, OIC and the Reverend Edward Hales.

Unfortunately, because of the quick and short notice, prior commitments of these gentlemen could not be rearranged or they would be sitting here with me or perhaps I might not be testifying because they would do the job without me.

Nevertheless, Mr. Chairman, I am always pleased to have an opportunity to share my thoughts with you and your committee about the youth employment crisis and the overall critical employment and training issues which the House Education and Labor Committee can and must deal with.

Let me begin by recalling the history, going back to the riots in Watts, Los Angeles, when I served on the task force sent out by President Johnson to determine what the Federal Government policy should or should not be and what they should or should not do about the job crisis and about the crisis of the riots.

As a former president of the Los Angeles NAACP, I had watched with frustration and anger as the city officials and State authorities in California neglected the festering source of racism and poverty and the cancerous growth of joblessness, hopelessness, and dispair creating the conditions which led to the riots.

As an assistant director of the national war on poverty, appointed as the result of the aggressive efforts of the former chairman of the House Education and Labor Committee, the late Adam Clayton Powell, I was charged with the responsibility of recommending what policies should be considered most desirable and most likely to succeed in changing the considerations or defusing the bomb before it exploded before a crisis became a disaster.

At that time almost a quarter of a century ago, youth were still the focus of our attention. They smashed the windows. They robbed the stores. They fire bombed the buildings in a systemmatic and semiorganized fashion and an unsystemmatic and unorganized fashion. At this time, the labor unions, the black Congressmen, the civil rights leaders were all amazed that nobody knew who these young people were.

We knew the young people in the churches, the young people in the NAACP, and the young people in the various organizations, but we didn't know these young people. We later met with the sons of Watts and other emerging leaders and the message was always the same. We want jobs. We want to control our own lives. We want jobs. We want to have our own money. We want jobs. We want to pay our own way. We want jobs, jobs, jobs, jobs.

The same theme song was always being sung. So, Mr. Chairman, as you know more than most people in the history of America, the national policymakers decided they did not want to reward the rioters by pouring in money. The big debate over the solution, big spending programs and the private sector responsibility went into higher gear.

Then came the many confrontations the assassination of Dr. King, additional riots, the poor people's march led by Dr. Abernathy, the 1970 manpower legislation, the proposals for youth legislation to turn the situation around by Hubert Humphrey and Ted Kennedy and yourself, along with Republicans like Chafee Powell, Schweiker of Pennsylvania, Chairman Perkins and the other colleagues on the House side.

Finally, Mr. Chairman, I want to remind you that it is against this background and under these circumstances that OIC was born in 1964, 20 years ago and shared in the history-making events and the legislative process that accompanied them.

Against this background, 20 years ago, Rev. Leon Sullivan began walking the Halls of Congress knocking on doors, shaking hands, persuading minds, pounding on tables trying to get something done to help America's young people; trying to get the Federal Government to assume the Federal responsibilities, so that State and local government and business and industry could be brought into a comprehensive planning process so that a national youth policy could be adopted, so that a stumbling block could become a stepping stone.

That same Leon Sullivan brought 15,000 of our OIC leaders and supporters to Washington in 1973, 10 years ago, 10 years after the historic march on Washington, to try to get the Congress to make a bipartisan stand to save job training centers like OIC and CBO employment service providers like the Urban League and others.

This same Leon Sullivan succeeded in getting your help to get CBO amendments to the CETA legislation at that time, then as you have pointed out, the Youth Employment and Demonstration Projects Act. Then he joined in the all-out effort to get the Humphrey-Hawkins full employment legislation passed into law.

Mr. Chairman, it is in this spirit that we in OIC testify this morning on behalf of both the Hawkins bill, H.R. 5017 and the Youth Wage Opportunity Act, H.R. 5721. The Hawkins bill would help solve today's youth crisis. The youth wage opportunity bill would help solve today's youth crisis. We submit that it is not a case of either one or the other, a case of trying to do both if possible or reach a halfway house agreement that would avoid an impasse.

We feel that the Senate could pass the Youth Wage Opportunity Act. The House could pass the Hawkins bill and the irresistable force will meet the immovable object and because of partisan politics, the youth will become the victims. They will stay on the street corners, easy prey for dope pushers and criminal elements; easy targets for irresponsible leaders and beginning their certain journey to permanent unemployment and the development of a permanent underclass.

We come to ask you, your committee, to sincerely and carefully consider if there isn't some way that those who accept the administration's position and those who accept your position can't search for and find some areas of agreement and make some sincere effort to develop an emergency youth employment action plan of some kind that can help make a difference in time for this summer.

We know that in 1973 there was an impasse over CETA. We sought help from Jerry Ford, who was the minority leader at the time; President Nixon, who was the President. We sought help from you and Chairman Perkins and the people on the Senate side. The Black Caucus helped. Everybody got together and in spite of the differences, something was done to help the youth.

Reverend Sullivan says we need a nonpolitical solution or a bipartisan solution to today's youth crisis before it becomes tomorrow's youth disaster. We cannot have on our conscience the destruction of young lives and the social explosions in our neighborhoods that could develop if we fail to take action.

We say that something must be tried. Why not try the youth opportunity wage? Why not try the Hawkins bill? We will be the guilty ones if we don't try. We drive down the streets and see the kids on the street corners. We see and hear about the pocketbooks being snatched and the senior citizens mugged and the old ladies raped and the shopkeepers robbed.

We hear of the idle hands that become the devil's workshop. If we don't cry out, the very rocks will cry out. Do something. Do something besides disagree. Do something besides partisan politics. Do something that will help and concentrate on the youth themselves and not on the differences between the policy, the theory, the doctrine with reference to minimum age.

I submit that the OIC leaders from Reverend Sullivan and Mr. Jolly and the board members are 100 percent in favor of the minimum wage. We are 100 percent in favor of it and it is too low. We have all been in a position, I think, of mainly coming out of working in people's families to understand the dangers of not having a minimum wage, but we are supporting the Youth Employment Opportunity Wage Act with the understanding that it should be an experiment.

And I would like to read Dr. Sullivan's own words on this point.

> I give the bill my qualified and conditional support as an experiment. And I think it should be tried because there are millions of young people in the cities of America who are unemployed and they need to be employed and put to work in the summer in some way. Something must be tried. We must try with everything we can to help make this happen. I am supporting the bill with the understanding that it will be an experiment; that it must be closely monitored; that it must be evaluated; that we must be sure that no adult workers would be displaced and that no youth already working at minimum wage is replaced.
>
> The full-time worker status will not be altered in any way. The youth unemployment crisis calls for nonpolitical considerations.

Mr. Chairman, my closing statement would be that I understand what the preceding speakers have said very clearly. I feel very strongly that we have had many demonstration projects that have come through this committee and have been tried. Some of them have failed and some have succeeded.

And I would urge the committee to give serious consideration to trying this, building in the protective requirements and the enforcements and, if necessary, establishing a nonpartisan or bipartisan evaluation task force to do the monitoring that maybe the Labor Department does not have the horses to do, so that we will be able, maybe with a blue ribbon panel of some kind, to deal with the youth problem as though it was not a political football, but rather a serious moral issue for all of our people. Thank you.

Mr. HAWKINS. Thank you, Dr. Dawkins, for a very, very excellent statement.

Let me ask you this, Dr. Dawkins. You have appeared before this committee various times. Dr. Sullivan has also. As a matter of fact, Opportunities Industrialization Centers of America, I think, has made an outstanding contribution to this committee, and we have certainly shared with you many of the experiences that you have gone through.

You indicated that we had become involved in various demonstration programs in the past, some of which failed, many of which succeeded. Can you explain why those programs that have proven to be highly successful, highly bipartisan and that were specifically designed to reach the problem, the crisis that you speak of, are not now being supported apparently by the administration?

Mr. DAWKINS. I would think two things, yes, sir, that, one, pilot project, for example, that I use as a case in point was the one that the MDRC of New York and 10 pilot cities, I believe, youth incentive program——

Mr. HAWKINS. That was under the 1977 Act that OIC testified on and helped to get on the statute books by bipartisan cooperation.

Mr. DAWKINS. That is exactly correct, although I must put on the record that we were cut out of that pilot. We didn't get one of the cities, but we felt it was a good project.

Mr. HAWKINS. Community-based organizations did not play a meaningful role in the implementation which this committee certainly opposes and certainly pointed out that was the unfortunate part of it.

Mr. DAWKINS. That is right. Nevertheless, we were in favor of the project.

Mr. HAWKINS. You did approve it.

Mr. DAWKINS. We were in favor of the project and we were disappointed when it was curtailed. We testified and if you have another hearing, we will be glad to testify as to the damage that was done by the curtailment of that project. We feel that it was the kind of thing that the administration made a mistake, consciously or unconsciously or unknowingly, but it was a mistake because that was one of the best demonstration projects that had come down the pike in a number of ways.

However, there were some faults in that, and I am just saying that demonstration projects ought to be tried, and we have a history of having tried them, and I believe that this would be one we ought to try.

Mr. HAWKINS. Well, the point I am trying to reach is if you have a demonstration that succeeds, then why don't you use it as the basis for a full-scale program? Why keep trying demonstrations if you are not willing to use those that have worked?

Now that was a program which I would certainly say could be easily amended to include a broader participation of community-based organizations. Even without that, it still is available.

We still have under the Job Training Partnership Act, which this committee opposes and I personally have strong reservations about, but it is on the statute books and even now, because of a shortfall in that program that Mr. Jeffords and I and many others have worked on is a shortfall of over $100 million to make up which would be a downpayment at least on showing a compromise or showing some good faith to work out the type of compromise that you speak of.

But we can't get it: The Senate and the House both have taken a position on that $100 million. If you can't get $100 million on a program that the administration calls its own and individuals feel it isn't worth even putting up $100 million for, I am not too enthused about our chances for a compromise. The Secretary of Labor is coming to this committee on June 19 to testify, and I will certainly try out at that time some of the suggestions that you have made so that we can attempt to reach a compromise.

But I suspect that the summer is going to be over, that the crisis is already upon us, these programs, in order for local governments and the private sector to participate in their implementation.

Mr. DAWKINS. Mr. Chairman, there are two dimensions here. In replying to them let me first say that, I agree with your analysis.

The fact is that there have to be some given concessions on both sides of an issue if there is going to be a compromise. The administration does not speak with a united voice on all these issues. There are some people in the administration who feel one way and some who feel another way. One side or the other side prevails depending on where the President puts his thumb or his emphasis.

But it seems to me that if the issue is clarified and youth is a good place to start because everybody agrees with how bad the youth situation is and everybody agrees that something ought to be done about it. Maybe this is the one arena in which we can get everybody to give on both sides. We would hope that a good faith effort would be made on both sides at the level of the President and the level of the Secretary of Labor, the level of the Senate, which is majority Republicans, and the House, which is majority Democrats.

If we could get everybody saying "OK, let's work out something, let's make it an emergency, OK, we will make it a 2-year demonstration instead of a 1-year" so that the fact that this is due and so forth and so on, and "let's protect the minimum wage, let's not make that the victim of this whole process," we ought to be able to help our youth without doing in our adults. We ought to be mature and intelligent enough to do that. I just think maybe we ought to do some things we have never done before.

Mr. **Hawkins**. Mr. Jeffords.

Mr. **Jeffords**. Thank you.

I think your statement is a very courageous statement under the circumstances, and I think you have pointed out very vividly that if we really care about the minority youth in this country, we have got to be willing to take some risks on some conventional principles and see what we can do to end this serious unemployment problem.

As I view the situation right now, if we were to take and implement this program, and in addition to that, apply it to the summer youth program, we could put to work this summer an additional 650,000 young people. To me that is a critical question: Whether or not we really care enough about those young people to give them an opportunity to work this summer? We need to put aside all the philosophical and emotional problems and to experiment to see if it will work and if the Department of Labor can administer the program in the experimental basis so that we do get job creation and not job substitution.

So I want to thank you for bringing the issues back to the critical question. That is: Is this committee or is this Congress, is this administration really serious about doing something about the youth unemployment in this country? I appreciate very much your words.

Thank you.

Mr. **Dawkins**. Mr. Jeffords, I appreciate your statement, and I would like to just add, in response to that, that one of the big problems is to convince the employers, the business people, they have not used the targeted jobs tax credit that has been available to them. The record shows that.

They have not responded as they should have or could have, and I think a lot of the emphasis has to be put, and perhaps you can do that in some language that will amend the administration's bill so that the employer, especially the small businessman where 80 percent of the jobs are in small businesses, have not just an incentive on his voluntary good conscience, but also some concern that it is to his disadvantage not to do it.

I don't know how to phrase that, but it seems to me that the youth are that important and we ought to work out something.

Mr. **Jeffords**. I agree with you. I think if we look at what other countries around the world have done in this area and at the responsibility that businesses in those countries feel for this kind of a situation, that we can convert, especially with the backing of the President, the understanding of our employers as to their responsibilities.

I recently visited Germany, where they feel very strongly about this. In fact businesses voluntarily increased their funds that they put up to hire more young people as apprentices because they had a sudden increase in the number of unemployed young people.

I think we made an important step forward in the Job Training Partnership Act to emphasize to the employer their responsibility in this area. I think it would be important to push that again one step further and say, "you have a moral responsibility which will be of economic advantage to you if you are willing to take this risk and go out and hire these young people for this summer." I would hope that we could do that on an experimental basis.

If it doesn't work, then OK. We will have tried it and the fault may fall on us. It may fall on the administration for lack of enforcement, or it may fall on the employer for the unwillingness to accept their responsibilities in this area. But at least we will try to help the young people, and I think that is what is important.

Thank you very much.

Mr. **Hawkins**. Mr. Hayes.

Mr. **Hayes**. Let me just say that your characterization of his statement being courageous, I agree with that, Mr. Jeffords.

I have two questions that bother me. For instance, I have had a lot of respect, and still have, for Reverend Sullivan and his organization, OIC. We haven't always agreed on all issues.

As I understand it, your suggestion is that we accept the administration's proposal on a subminimum wage as a stopgap measure until H.R. 5017 is passed? I just want to see if I am clear when I say that. Should this happen and it doesn't work, how do we get rid of the subminimum wage proposal? That is the first question.

The second question is, I come from an area where just running down the $100-a-week based on 40 hours—$2 a day, goes for transportation, taxes run roughly 30 percent. So we are talking maybe $60 a week if they get 40 hours, and if they are lucky enough to get a job. Do you see this as really any real solution even on a partial basis to the current situation that exists today in the high unemployment areas such as Chicago or where the youth unemployment runs roughly in the black communities around 60 percent?

Mr. **Dawkins**. Mr. Hayes, I appreciate your comments because I was born in Chicago and went to high school on the North Side, and I always have a close tie to Chicago, a lot of family live there, and I know what you are talking about in transportation. I understand that whole problem.

What I would say, taking the last question first, we have too many young people who won't be reached by the $718 million that is already in there for summer youth jobs, many too many. They will still be on the street corners with the problems that we just skimmed over a little bit.

And to them, to get them started on a job in the world of work, many of them have never been in the world of work. They have four and five generations of welfarism. To get them started, to get them with $2.50 in their pocket that is their own, their first check maybe for some of them has got to be a plus rather than a minus. That is my basic assumption.

The second thing is that tied to that, anybody who tries to substitute one of those $2.50 ones for a $3.35 one ought to have the book thrown at them. They ought to really be done in, and I was really appalled when the questions were raised about lack of enforcement facilities and mechanisms and so forth and so on.

But I think that we have worked out systems to handle almost anything we really seriously wanted to work out. I think we could work out something to deal with that.

Your first question as to how I linked up my support of H.R. 5017 with the youth opportunity wage. I am not an expert or technician in that kind of linkage, but I do know if we want the enterprise zones, for example, we ought to have a job training component in, and probably the logical way is to hook it up to JTPA in some way. And I think that perhaps we ought to be able to hook H.R. 5017 into JTPA in some way.

But my point is that the stopgap nature of what we are talking about is a reality because if we are not careful, we won't even get it started before the summer will be over, and we are talking about an emergency action and not a long-range plan. And if it fails, let me add this, we would be the first ones to say it is a failure. We gave you your chance and you so and so's didn't do anything with it, and I just think that is important.

Mr. HAYES. Would you yield for a minute?

Have you ever tried to take a piece of meat away from a hungry lion? That is what you are talking about.

Mr. DAWKINS. I know. Lions are one thing, and people are something else I think.

Mr. HAWKINS. Mr. Jeffords.

Mr. JEFFORDS. I pass.

Mr. HAWKINS. Mr. McCain.

Mr. MCCAIN. Thank you, Mr. Chairman.

Mr. Dawkins, I also very much appreciate what you had to say, and I think you had some very important things to say. One of them was that it is absolutely critical to have bipartisan cooperation on this issue. Possibly I am naive, but I feel that on an issue this critical, as Social Security was not too long ago, we must work on a bipartisan basis to solve it.

I also appreciate very much your willingness to try an experimental program which is basically what this is. I also appreciate the remark you made that if the program is a failure, you will be one of the first to bring it to the attention of Congress and to the administration.

I think you made an important point of trying to set up an evaluation in this legislation. If it, or some piece of legislation, were enacted. An objective evaluation would be important. This does not seem to me to be an insurmountable obstacle.

It is very unfortunate that we have exchanges that seem to lock us into positions that, unfortunately, make it more difficult to reach compromises. I also think there is some validity to the thought of tying this into JTPA or the chairman's bill.

I just have one question. Great concern has been expressed, and I think valid concern, by the previous witnesses that this program would not be taken advantage of by the people who need it the most, but in middle class or upper class neighborhoods which is obviously not the target of this legislation.

Would you support some kind of amendment to this legislation which would say this program is only for disadvantaged youth at certain economic levels? Would that satisfy some of the concerns?

Mr. Dawkins. I would think that targeting, as the chairman of the Black Caucus indicated, targeting to the disadvantaged, in quotes, and we know that the inner city blacks or the inner city hispanics are the real bottom of the barrel of our economic system, that targeting is essential.

There must be an amendment of that kind. The bill, as it stands, doesn't take care of that, and we would have to build that in. And I would urge this committee to insist that such an amendment be put in.

Mr. Hayes. Would the gentleman yield just a minute?

Mr. McCain. If I could just respond, sir, and then I would be glad to yield.

You can be assured of my attempts to amend this, Mr. Dawkins, so that it will be targeted.

Now, I would like to yield to my colleague from Illinois.

Mr. Hayes. I know you understand what is being said about this kind of proposal in the black community, and hispanic youth could be used at $2.50 an hour when white workers, in effect, youth turn it down at $3.35 an hour. This is what has been said.

Mr. Dawkins. There are two things that I think are myths about this. I come out of a labor union family. My father was a steel worker and I was an auto worker. I love the union's contribution to the future and the present of our people.

Two things are myths. One is a lot of the young people are going to be delighted to get $2.50. The other assumption is they are not going to want to work for $2.50. I don't think that is true. I don't think we know. That is why I think we need to test it and find out.

And, second, I think whether they are white, black, green or purple, that the ones that are in the same conditions are going to react the same. It is a matter of the poor whites are just as bad off as the poor blacks, and the poor whites and the poor blacks are together and the middle-class whites and blacks are together.

I just think we have to do a little more research and get some more facts before we can get to some hard conclusions about how they are going to react.

Mr. Hayes. I yield.

Mr. McCain. I again would like to express my appreciation for the message that you send to Congress, that people don't want to wait, they want help. They deserve, I think, a certain degree of bipartisanship from the Congress to address these issues.

I thank you again.

Mr. Dawkins. Just one thing, Mr. Chairman.

I would like to add that we have had a lot of experience with the chairman of this committee over a long number of years, and mine goes back some 20 years, when he was in the State legislature in California, and I have the highest regard for both his principles and his intestinal fortitude.

Mr. McCain. As I believe all of us on the committee do, yes, sir.

Mr. Dawkins. And I know he is not going to let injustice be done as long as he can breathe. So I feel that if we could work out a compromise that he can see that maybe this makes sense, and we could perhaps sell it to the whole Congress. If he doesn't, I think we have got a problem.

Mr. **McCain**. He is very adept at that.

Thank you.

Mr. **Hawkins**. Mr. Nielson.

Mr. **Nielson**. I would like to comment on Dr. Dawkins' testimony. I think it is a very good piece of rhetoric and so forth. I am not sure I agree with you in a lot of areas.

The one statement I have does not say what you read. Do you have another statement?

Mr. **Dawkins**. They asked me if I had anything in writing. That is a statement I have made previously, and my testimony today will be typed up and submitted officially, yes. It wasn't in there at all. If that deceived you, I am sorry.

Mr. **Nielson**. I want to commend you on your ability to focus the real issue and to plead with us, as you did very eloquently, to try to compromise, and I think your statement that these two proposals are not necessarily mutually exclusive, you could do both at the same time. As a matter of fact, you could try this approach even if only 8 percent would give additional jobs, maybe that should do and maybe do the others as well.

I would like to tell the chairman in spite of the confrontive nature of some of the testimony that has been had earlier today that I believe there is room for some compromise, and I believe we could work out a bill that would solve the problem of the youth unemployed as well as the concentration on where they are needed.

Frankly, I think there is some virtue for everyone, rich or poor. I think the fact that they work in the summer is a very good thing. I, myself, had three part-time jobs when I was in high school, and I think that is good experience. I think people need to have that experience in work whether they need to or not from a financial standpoint. So there is some merit in providing opportunities.

I think perhaps the tragedy we have seen among some of our rich youth in the past who have not had the opportunity to work and have the responsibility is evidence. It is a good attitude we should inculcate in everyone's life.

Let me simply commend you for this and indicate to the chairman that I am certainly willing to help in any way I can to get the best parts of both these bills and come up with something to try to solve the problem. I don't want to close my mind to the Hawkins bill nor do I want to be closed to the other possibility. I think we ought to try to work out something and solve this problem.

I think the incentive is there for all of us. I think the desire to make work available for our youth is the same on all sides of the aisle, and frankly I think we ought to go forth in that spirit. And I appreciate your testimony and thank you for it.

Mr. **Dawkins**. Thank you very much.

Mr. **Hawkins**. Thank you.

Mr. Gunderson.

Mr. **Gunderson**. Thank you, Mr. Chairman.

I almost hesitate to say anything because I am just going to join the chorus of people appreciating your remarks. You have hit this right on target and probably there was somebody more powerful than all of us who decided that you ought to be the next witness after everything that has preceded you this morning. I think you have put it all back into proper perspective.

You wanted to get the Department of Labor to move quickly, as you said, for this summer. Give them a 1-year experiment project and say "Show us that it can work this summer." I think we would see them move fairly quickly down there. It may be the way we could meet Mr. Hayes' concern and authorize such a program for 1 year which automatically expires at the end of that particular time.

Mr. Dawkins. I would like to thank you and say that Dr. Sullivan has thought that 1 year would be the way. He can always speak for himself, but he thought 1 year was enough to see what they could do, and then we would determine whether or not we could go beyond that.

Mr. Gunderson. Thank you very much.

Mr. Hawkins. To clarify that further, would you say that in the 2-year trial period, should the program include community-based organizations? Should it include any training? Should it include any education? These are the points that I am not clear on.

When you say "compromise," what are the conditions that Dr. Sullivan made when he referred to conditions in his statement?

Mr. Dawkins. I would like to repeat that his conditions included, one, the fact that there should be monitoring and there should be evaluation and there should be an assurance that the minimum wage would not be affected in a negative way for anyone who is working at the minimum wage, no displacement of either the adults working or youth working at the minimum wage.

And as far as the linkage, which Mr. Hayes referred to, I think it is terribly important that what happens to them after September does come into consideration, and I am not sure but what your bill doesn't deal with that part time in the school year.

Mr. Hawkins. My bill, H.R. 5017, is a year-round program.

Mr. Dawkins. We are on record as being in favor of year round and not just summer.

Mr. Hawkins. It does include CBO's. It gives them the opportunity to provide alternative education, for example.

Mr. Dawkins. We would like to include CBO's. As you know, that has been our theme song for a long time, and I would like the record to show that I did not come down here and fail to mention that we want community-based organizations to be an integral part of the Nation's manpower delivery system and the only way we can do that is to be included in at every level of the system.

Mr. Hawkins. Dr. Dawkins, I reflect the views of the committee. We are highly appreciative of your testimony, and I don't really characterize it as a courageous thing. I think it is the usual characterization of the expert testimony I have had from OIC from Dr. Sullivan and yourself, and we congratulate you on a very excellent statement.

Mr. Dawkins. Thank you very much, Mr. Chairman.

Mr. Hawkins. Do you want your statement included in the record?

Mr. Dawkins. Yes.

Mr. HAWKINS. Without objection, your statement will be included in the record.

Thank you very much.

[Prepared statements of Rev. Maurice A. Dawkins follow:]

PREPARED STATEMENT OF REV. MAURICE A. DAWKINS, NATIONAL DIRECTOR OF GOVERNMENT RELATIONS, OPPORTUNITIES INDUSTRIALIZATION CENTERS (O.I.C.) OF AMERICA

Mr. Chairman, My name is Maurice Dawkins. I am the National Director of Government Relations for O.I.C. of America, the Opportunities Industrialization Centers.

We come to represent our Board Chairman, the Rev. Leon Sullivan, our National Executive Director Mr. Elton Jolly and the Director of our Washington, D.C. O.I.C. Rev. Edward Hailes.

Unfortunately because of the quick and short notice prior commitments of these gentlemen could not be rearranged or they would be sitting here with me, or perhaps I might not be testifying because they would do the job without me.

Nevertheless Mr. Chairman, I am always pleased to have an opportunity to share my thoughts with you about the Youth Employment crisis and the overall critical employment and training issues which the House Education and Labour Committee can and must deal with.

Let me begin by recalling the history going back to the riots in Watts, Los Angeles when I served on the Task Force sent out by President Johnson to determine what the Federal Government should or should not do about the crisis.

As the former President of the Los Angeles NAACP I had watched with frustration and anger as the city officials and State Authorities in California neglected the festering sores of racism and poverty and the cancerous growths of joblessness, hopelessness and despair create the conditions which led to the riots.

As an Assistant Director of the National War on Poverty—appointed as a result of the aggressive effort of the former Chairman of the House Education and Labor Committee, the late Adam Clayton Powell, I was charged with the responsibility of recommending what policies should be considered most desirable and most likely to succeed in changing the conditions or "defusing the bomb" before it exploded. Before a crisis became a disaster.

At this time almost a quarter century ago, the youth were the focus of our attention—they smashed the windows, robbed the stores and fire bombed the buildings in a systematic and semi-organized fashion, as well as in an unsystematic and unorganized fashion.

At this time the Labor Unions, the Black Congressmen, the Civil Rights leaders were all amazed that nobody knew who these young people were. We later met with the Sons of Watts and other emerging leaders and the message was always the same—

We want jobs—we want to control our own lives—We want jobs, we want to have our own money, we want jobs—We want to pay our own way. We want jobs—Jobs, Jobs, Jobs. The theme song was always the same.

So Mr. Chairman, as you know more than most, the National Policy Makers decided that they did not want to reward the rioters by pouring in money. The big debate over the so called big spending programs and private sector responsiblity went into high gear.

Then came the many confrontations—the assassination of Dr. King, additional riots—the Poor Peoples' March led by Dr. Abernathy. The 1970 Manpower Training legislation. The proposals for Youth Legislation to try and turn the situation around, by Hubert Humphrey, Ted Kennedy, Ed Brooke and yourself with Chairman Perkins and your colleagues on the House Side. Republicans, Jacob Javits, Dick Schweicker, Marivn Esch, and Al Quie joining in.

Then finally, Mr. Chairman I want to remind you that it is against this background and under these circumstances that OIC was born in 1964 and shared in the history-making events and the legislative process that accompanied them. Against this background 20 years ago Leon Sullivan began walking the halls of the Congress, knocking on doors, shaking hands, persuading minds, pounding on tables, trying to get something done to help America's young people. Trying to get Federal Government to assume the Federal Responsibilities so that State and Local Government and Business and Industry could be brought into a comprehensive planning process—so that a National Youth Policy could be adpoted—so that a stumbling block could become a stepping stone.

That same Leon Sullivan brought 15,000 of our OIC leaders and supporters to Washington in 1973—10 years after the historic March on Washington to try to get the Congress to take a bi-partisan stand to save job training centers like OIC and C.B.O. employment service providers like the Urban League and S.E.R.

This same Leon Sullivan succeeded in getting your help to get C.B.O. amendments to the CETA Legislation at that time. Then he joined in the all out effort to get the Youth Employment Demonstration Project Act passed as well as the Humphrey-Hawkins Full Employment Act.

Mr. Chairman it is in this spirit that I testify this morning on behalf of both the Hawkins Bill 5017 and the Youth Wage Opportunity Act. The Hawkins bill would help solve today's Youth Crisis. The Youth Wage Opportunity Bill would help solve today's Youth Crisis.

We submit that it is not a case of either/or it is a case of trying to do both if possible or reach a half-way house of agreement that would avoid an impasse.

We feel that the Senate can pass the Youth Wage Opportunity Act and the House can pass the Hawkins Bill 5017 and the irresistible force will meet the immovable object and because of partisan politics the youth will become the victims. They will stay on the street corners, easy prey for dope pushers and criminal elements; easy targets for irresponsible leaders and beginning their certain journey to permanent unemployment and the development of a permanent underclass.

We come to ask your Commitee to seriously, prayerfully and carefully consider if there isn't some way that those who accept the Administration's position and those who accept your position can't search for and find some areas of agreement and make some sincere effort to develop a Youth Employment Emergency Action Plan that can help make a difference in time for this summer!

We know that in 1973 there was an impasse over CETA. We sought help from Jerry Ford the Minority Leader and President Nixon. We sought help from you and Chairman Perkins.

We asked Senator Hugh Scott, Minority Leader of Senate to help, we got Senator Ted Kennedy, Pete Williams, Howard Baker to help.

The Black Caucus helped, they all got together in spite of the differences to do something to help the youth. Reverend Sullivan says we need a non-political solution or a bi-partisan solution to today's youth crisis before it becomes tomorrow's youth disaster.

We cannot have on our conscience the destruction of young lives and the social explosions in our neighborhoods that could develop if we fail to take action. We say that something must be tried. Why not try the Youth Opportunity Wage? Why not try the Hawkin's Bill 5017?

We will be the guilty ones if we don't try. We drive down the streets and see the kids on the street corners, we hear of the pocket-books snatched, the senior citizens mugged, the old ladies raped, the shopkeepers robbed. We hear of the idle hands that becomes the devil's workshop.

If we don't cry out—the very rocks will cry out. Do something! Do something besides disagree. Do something besides partisan politics. Do something that concentrates on the youth and not on our disagreements over the minimum wage. Dr. Sullivan's statement which I shall read, is very simple in this regard. I submit it for the record.

"I give the bill my conditional support as an experiment and I think it should be tried. Because there are millions of young people in the cities of America who are unemployed and they need to be employed and put to work in the summer in some way.

Something must be tried. We must try with everything we can to help make this happen.

I am supporting the bill with the understanding that it will be an experiment. That it must be closely monitored, that it must be evaluated, that we must be sure that no adult worker is displaced and that no youth already working at minimum wage is replaced and that the standard of the minimum wage of full time workers will not be altered in any way.

The youth unemployment crisis calls for non-political considerations."

Mr. Chairman, my closing remarks are also simple.

My board, Reverend Sullivan, Mr. Jolly are all in favor of the minimum wage. They believe it is too low. They see this Youth Opportunity Wage as an experiment. They see it as better than nothing. They see it as a test.

If it doesn't work, we will be the first to come back and say that the youth were not served well and the adults were not protected.

We ought to be able to help our youth without doing harm to our adults.

✓

Thank you very much Mr. Chairman, we have worked with you on these problems for many years—and in my case it goes back to 20 years in the California State Legislature. We have always had the highest respect for your leadership, your vision and your intestinal fortitude. We know that no injustice will be done in this Committee as long as you have breath! So we feel confident that if the Committee can work out a compromise that makes sense to you, we can perhaps get the whole Congress to support it. Let us not be afraid to do something we have never done before!

DAWKINS STATEMENT ON YOUTH OPPORTUNITY WAGE

Today's youth employment crisis has the potential for becoming tomorrow's social disaster. It is estimated that 44.9% rate of black youth employment includes some cities where the rate is as high as 75%—Hispanic barrios are 25% poverty pockets of white youth are 15%.

This nation is experiencing an economic recovery which is not reaching our youth population. At the same time the small business owners who have 80% of the jobs require employees with skills and work habits that our youth do not have.

Far too many of our black youth are in danger of becoming a permanent under class in America because they have no basic skills of reading, writing and computation. That is why Rev. Leon Sullivan, the Nation's foremost expert in manpower Training and the Nation Wide Network of O.I.C. (Opportunities Industrialization Centers)—After 20 years of successful operation training more than 700,000 Americans of all races, ages and sexes has sought a new system of pre-vocational training through legislation (S2289). As an Amendment to the Vocational Act of 1963 during the current reauthorization taking place in the Senate.

At the same time, Rev. Sullivan is keenly aware that neither his legislative proposals nor any of the Youth Bills currently being considered by the Congress will be passed and signed into law in time to deal with this summer's Youth Employment Problem unless the President and the Congress come to some agreement on an Emergency Action Plan of some kind.

That is why I am here this morning to state that the O.I.C. of America supports the recommendation of Secretary Donovan for a Youth opportunity wage bill to make possible an all out effort by the private sector to hire 400,000 unemployed youth. This demonstration project for four months—May through September—can serve as a stop-gap to meet the immediate summer problems.

It still won't be enough—but it will help—and its better than nothing. Our Organization, operating in 35 States and 140 Communities, has seen the tragedy of our youth—unskilled, jobless and hopeless on the street corners in the pool halls, the tag rooms and in crime related activities.

Rev. Sullivan, angered and distressed by this picture criss-crossed the country to enlist the support of the chambers of Commerce, manufacturers and employers of small, middle-sized and large business—calling on them to hire at least one youth in each business.

We know from this experience that there is a potential for ⅒th of 10 million business to provide 1 million jobs. We know that the Secretary's goal of 400,000 jobs is realistic—if we can convince the Business Community to take emergency action right now.

Therefore we shall enlist our clergy supporters, our auxiliaries, our fraternal and social organizations to lobby on behalf of this bill.

We shall urge our Congressmen and Senators to vote for it. We shall go to the pulpits of our churches and preach about it.

America's youth must not be sacrificed on the altar of theories, doctrines, and conflicts concerning the minimum wage.

Our Board members and our Chairman Rev. Sullivan, our Director, Elton Jolly all believe in a minimum wage as a matter of public policy—They believe it is too low—but we say we would rather have hundreds of thousands of our youth employed at $2.50 per hour on a summer job than unemployed at no dollars an hour on the street corners.

The late Martin Luther King once stated about progress in civil rights:

"We ain't what we want to be
We ain't what we ought to be
We ain't what we're gonna be
But Thank God We Ain't What we wuz.

In that spirit I would paraphrase his remarks and say,

"It ain't what we want it to be
It ain't what it ought to be

But its a hell of a lot better
Than Nothing!

Mr. HAWKINS. The next panel will consist of Mr. Bob McGlotten, associate director, Department of Legislation, AFL-CIO; and Mr. Markley Roberts, economist, Department of Economic Research, AFL-CIO. We welcome you and look forward to your testimony.

Any statements that you have for the record, without objection, will be included in the record at this point.

STATEMENTS OF BOB McGLOTTEN, ASSOCIATE DIRECTOR, DEPARTMENT OF LEGISLATION, AFL-CIO; MARKLEY ROBERTS, ECONOMIST, DEPARTMENT OF ECONOMIC RESEARCH, AFL-CIO

Mr. McGLOTTEN. Thank you very much, Mr. Chairman.

Mr. Roberts, my colleague, is here with me. He doesn't have a separate statement. I will read portions of my statement. I wish that the entire statement will be included in the record.

Mr. HAWKINS. Without objection, so ordered.

Mr. McGLOTTEN. Mr. Chairman, I appreciate this opportunity to present the position of the AFL-CIO in support of your efforts to open up employment opportunities for disadvantaged youth with a school and work progam. We commend you and the members of this subcommittee for your continuing concern for improvement and expansion of education, training, and employment opportunities for young people. You can be sure that the AFL-CIO will continue to work with you in support of sound, effective legislation along the lines of H.R. 5017 as amended to meet some of the concerns I will be raising in this statement.

The AFL-CIO has a long record of concern about the serious problem of youth unemployment. From the early 1960's, the labor movement has been actively engaged in efforts to increase employment and training opportunities for young people generally and particularly for minority young people. Since 1981, unfortunately, the deteriorating economic situation and the sharp cutback in Federal support for youth training have forced a sharp reduction in these activities.

For example, union-sponsored and union-supported apprenticeship outreach programs brought 60,000 minority and female young people into the skilled trades in the 1960's and the 1970's. More than 100 apprenticeship outreach programs were operating, many of them administered by labor organizations, including the AFL-CIO Human Resources Development Institute working with local building and construction trade councils.

Also, many apprenticeship outreach programs were administered by two labor-supported groups, the National Urban League and the Recruitment and Training Program. A number of national and international unions extended the outreach concept with special preapprenticeship training programs for minority and female youth to prepare them for entry into regular apprenticeship in construction and other apprenticeable trades.

Unfortunately, the Reagan administration failed to maintain necessary support for these programs and, therefore, the outreach programs were phased down during 1981-1982.

Fortunately, the successful Job Corps Training Program, which involves a great deal of labor participation, labor involvement, and labor support, continues. There are no hard figures on the number of union trained Job Corps participants, but we estimate that it is several thousand a year through the 107 Job Corps centers across the country.

Of course, there are many other continuing union efforts to serve minority youth, ranging from preapprenticeship training to special summertime activities. And HRDI efforts to help minority youth are currently focused on helping unions develop programs using local resources under the Job Training Partnership Act, where labor organizations at the local level can make use of knowledge gained from past programs to meet the continuing needs of minority youth.

The AFL-CIO supports the full employment commitment of the Humphrey-Hawkins Full Employment and Balanced Growth Act of 1978, and we supported the Youth Employment Demonstration Projects Act of 1977. Unfortunately, the American economy still falls short of full employment, and present Reagan administration policies do not give high priority to reduction of persistent high unemployment. With persistent high unemployment a general problem, it is not surprising that young people and teenagers are particularly hard hit. One out of every five teenagers and two out of every five black teenagers are now unemployed.

The low labor force participation rate for black teenage males suggests that even these horrendous figures understate black teenage male unemployment because of widespread hidden unemployment and discouraged worker unemployment of those who give up looking for nonexistent jobs and, therefore, are not counted in the labor force.

Therefore, we support the purpose and the general approach of H.R. 5017 which would help economically disadvantaged youth aged 16 to 19 with: Part-time employment during the regular school year up to 20 hours a week; part-time employment during the summer months between regular school years, combined with remedial education, classroom instruction, or on the job or apprenticeship training; and full-time employment for a period of at least 8 weeks during the summer months between regular school years, up to a maximum of 40 hours a week.

We recognize the benefits which can be achieved for public agencies and private nonprofit organizations and for participating disadvantaged young people through carefully monitored subsidized employment and work experience combined with education and training. We supported such a keep them in school youth incentive entitlement program under the 1977 Youth Employment Demonstration Project Act, and we continue to support this approach in H.R. 5017.

We recognize and appreciate the labor protection requirements in H.R. 5017, including: One, wage and labor standards providing for payment of at least the regular Federal minimum wage; two, an increase in employment opportunities over those opportunities which would otherwise be available; three, prohibition against displacement of currently employed workers; four, prohibition against substitution; five, no youth to be hired by an employer when any person is on layoff from that employer; six, protection of promotion opportunities for currently employed workers; and, seven, consultation with labor organizations representing people engaged in similar work in the area.

However, we are very much concerned about the authorization in H.R. 5017 for youth incentive entitlement funds: One, to pay up to 100 percent of wages and benefits and training costs during the first 6 months of employment in this program; and, two, to pay up to 75 percent of wages and benefits and training costs during any succeeding months of such employment.

We do not object to youth incentive entitlement subsidies to public agencies and to private nonprofit employers of disadvantaged youth, although we believe such employment must be carefully monitored to prevent abuse. The proposed youth school-and-employment programs would not be make-work projects. These programs could help local public agencies facing serious budget reductions, but they must be carefully monitored and policed to prevent substitution or displacement of regular workers.

However, we strongly oppose wage subsidies to private, for-profit employers. We oppose such wage subsidies whether done directly through public grants or through the back door of tax credits. We do not oppose use of Federal funds to reimburse private, for-profit employers for extraordinary costs of recruiting, counseling, instructing, and training disadvantaged workers, but we believe that wage subsidies for private, for-profit employers are wrong in general and wrong in this specific instance.

We oppose wage subsidies to private, for-profit organizations because such organizations are significantly different from public and private nonprofit organizations in purpose and behavior. Free labor wage subsidies to private, for-profit organizations would give these for-profit organizations an unfair advantage over their competitors and would provide these for-profit organizations with unfair windfall profits from public funds. By contrast, public and private nonprofit organizations provide services which are not in the competitive market economy, services which benefit the whole community without regard to a profit motive.

Therefore, we urge that H.R. 5017 specifically rule out private, for-profit employers from eligibility for wage subsidies in the youth incentive entitlement program. The full program of payments up to 100 percent of wages and benefits and training costs should be available to public and nonprofit organizations, but payments to private, for-profit employers should be limited to extraordinary costs of recruiting, counseling, instructing, and training economically disadvantaged young people.

Even for public agencies and for nonprofit private employers, there should be some limit on how long the wage subsidy can continue, and there should be some graduated stepdown in the level of the subsidy.

With the changes I have outlined, we would find H.R. 5017 much more workable and much less likely to produce exploitation and abuse.

For the question of a summer youth subminimum wage, Mr. Chairman, I also want to take this opportunity to commend your recent statements, in which you present the arguments against a youth subminimum wage. A $2.50-an-hour summer youth subminimum wage has recently been proposed by President Reagan.

The AFL-CIO strongly opposes any youth subminimum wage.

In fact, we already have a subminimum wage. Since the Federal minimum wage was last raised in January 1981, workers earning the minimum have fallen farther and farther behind the buying power of their wage. Just to make up for inflation since January 1981, the present $3.35 minimum wage would have to be raised to $3.90 an hour.

Furthermore, the Fair Labor Standards Act already permits payment of a reduced learner wage conditioned on no displacement of other workers. If employers have not used the learner wage extensively to offset the cost of hiring unskilled youth, there is no reason to believe a youth subminimum based on the same assumptions would be any more effective in creating jobs for youth.

In a recent study by Professor Garth Magnum, employers were asked, "Would you employ more young people if you could legally pay them less than the minimum wage?" Seven percent said they did not know, 10 percent said they would hire more, and 83 percent said they would not hire more young people.

The evidence from the targeted jobs tax credit also shows failure with respect to employment of teenagers as a result of another form of wage subsidy even bigger than the proposed Reagan youth subminimum.

An analysis of our own on this point, which is attached to my statement, involves the most recent addition to the TJTC target list, summer jobs for economically disadvantaged youth ages 16 or 17 on the hiring date. The credit is a supersubsidy of 85 percent of up to $3,000 of wages paid between May 1 and September 15. It first went into effect for the summer of 1983.

By comparing labor force and employment figures for 16- and 17-year-olds for the months of May-September 1983 with the same months of 1982, we came to the following conclusions:

One, additional summer employment for 16- and 17-year-olds between 1982 and 1983 came not from the private wage and salary sector, but from additional jobs in Government and in private household services.

Two, unemployment rates for the group, as compared to a year earlier, began falling only in July, in line with the overall movement of rates for the labor force as a whole.

Three, black youth, ages 16 and 17, did not share in the general improvement in unemployment rates that began in July. Their rates worsened as compared with 1982.

So the TJTC version of a summer youth subminimum wage to encourage private, for-profit employers to hire economically disadvantaged teenagers was a resounding fiasco.

Mr. Chairman, we believe it is clear that the summer youth subminimum wage or a general youth subminimum wage is the wrong way to approach the education, training, and employment needs of young people.

Your bill, H.R. 5017, with the changes I have suggested, is a much better, much more logical, reasonable, and effective way to meet the needs of economically disadvantaged teenagers and, therefore, we are happy to work with you and this subcommittee on this legislation.

Mr. Chairman, I appreciate this opportunity to present some of the concerns of the AFL-CIO. We recognize and appreciate your contribution and the contribution of this subcommittee in widening employment and training opportunities for young people and older workers.

Thank you.

[Prepared statement of Robert McGlotten follows:]

PREPARED STATEMENT OF ROBERT MCGLOTTEN, ASSOCIATE DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. Chairman, I appreciate this opportunity to present the position of the AFL-CIO in support of your efforts to open up employment opportunities for disadvantaged youth with a school-and-work program. We commend you and the members of this Subcommittee for your continuing concern for improvement and expansion of education, training, and employment opportunities for young people. You can be sure that the AFL-CIO will continue to work with you in support of sound, effective legislation along the lines of H.R. 5017 as amended to meet some of the concerns I will be raising in this statement.

The AFL-CIO has a long record of concern about the serious problem of youth unemployment. From the early 1960s the labor movement has been actively engaged in efforts to increase employment and training opportunities for young people generally and particularly for minority young people. Since 1981, unfortunately, the deteriorating economic situation and the sharp cutback in federal support for youth training have forced a sharp reduction in these activities.

For people, union-sponsored and union-supported apprenticeship outreach program brought 60,000 minority and female young people into the skilled trades in the 1960s and the 1970s. More than 100 apprenticeship outreach programs were operating, many of them administered by labor organizations, including the AFL-CIO Human Resources Development Institute working with local building and construction trades councils. Also, many apprenticeship outreach programs were administered by two labor-supported groups, the National Urban League and the Recruitment and Training Program. A number of national and international unions extended the outreach concept with special pre-apprenticeship training programs for minority and female youth to prepare them for entry into regular apprenticeship in construction and other apprenticeable trades.

Unfortunately, the Reagan Administration failed to maintain necessary support for these programs, and therefore, the outreach programs were phased down during 1981-1982.

Fortunately, the successful Job Corps training program—which involves a great deal of labor participation, labor involvement, and labor support—continues. There are no hard figures on the number of union-trained Job Corps participants, but we estimate that it is several thousand a year through the 107 Job Corps centers across the country. Of course, there are many other continuing union efforts to serve minority youth—ranging from pre-apprenticeship training to special summer-time activities. And HRDI effects to help minority youth are currently focused on helping unions develop programs using local resources under the Job Training Partnership Act, where labor organizations at the local level can make use of knowledge gained from past programs to meet the continuing needs of minority youth.

One key point is an essential preface to your consideration of education, training, and employment for young people. Full employment is a basic prequisite for an effectve array of youth employment and training programs. Such programs can be fully effective only within the context of a healthy, expanding, full employment economy. Economic growth and full employment are essential if this nation is going to deal effectively with the employment needs of young people as well as the employment needs of adult workers.

The AFL-CIO supports the full employment commitment of the Humphrey-Hawkins Full Employment and Balanced Growth Act of 1978 and we supported the Youth Employment Demonstration Projects Act of 1977. Unfortunately, the American economy still falls short of full employment, and present Reagan Administration policies do not give high priority to reduction of persistent high unemployment. With persistent high unemployment a general problem, it is not surprising that young people and teenagers are particularly hard hit. One out of every five teenagers and two out of every five black teenagers are now unemployed.

The low labor force participation rate for black teenage males suggests that even these horrendous figures understate black teenage male unemployment because of widespread "hidden unemployment" and "discouraged worker" unemployment of those who give up looking for non-existent jobs and therefore are not counted in the labor force.

Many experimental demonstration youth programs have been tested, including one conducted in 1979-1981 by the AFL-CIO Human Resources Development Institute which served more than 600 disadvantaged young people. This successful HRDI program offered a combination of summer and in-school services to help young people formulate employment goals for the future and to get the education and training they need for the jobs they want. The results of that program confirm the value of the general approach taken in H.R. 5017 to encourage disadvantaged young people to resume or maintain attendance in high school or some other appropriate education or training program.

We recognize H.R. 5017 as an extension of the successful youth incentive entitlement pilot program operated by the Manpower Demonstration Research Corporation from 1978 to 1980 under the Youth Demonstration Projects Act of 1977. The pilot program placed 76,000 low-income young people aged 16 through 19 in part-time jobs during the school year and in full-time jobs during the summer. One key finding of this pilot program was that work experience for minority in-school students can lead to improved employment and earnings after the young people have left the program.

Therefore, we support the purpose and the general approach of H.R. 5017 which would help economically disadvantaged youth aged 16 to 19 with:

(1) part-time employment during the regular school year up to 20 hours a week;

(2) part-time employment during the summer months between regular school years, combined with remedial education, classroom instruction, or on-the-job or apprenticeship training; and

(3) full-time employment for a period of at least eight weeks during the summer months between regular school years, up to a maximum of 40 hours a week.

We recognize the benefits which can be achieved for public agencies and private non-profit organizations and for participating disadvantaged young people through carefully monitored subsidized employment and work experience combined with education and training. We supported such a "keep them in school" youth incentive entitlement program under the 1977 Youth Employment Demonstration Project Act and we continue to support this approach in H.R. 5017.

We recognize and appreciate the labor protection requirements in H.R. 5017, including:

(1) wage and labor standards providing for payment of at least the regular federal minimum wage,

(2) an increase in employment opportunities over those opportunities which would otherwise be available,

(3) prohibition against displacement of currently employed workers,

(4) prohibition against substitution,

(5) no youth to be hired by an employer when any person is on layoff from that employer,

(6) protection of promotion opportunities for currently employed workers, and

(7) consultation with labor organizations representing people engaged in similar work in the area.

However, we are very much concerned about the authorization in H.R. 5017 for youth incentive entitlement funds:

(1) to pay up to 100 percent of wages and benefits and training costs during the first six months of employment in this program, and

(2) to pay up to 75 percent of wages and benefits and training costs during any succeeding months of such employment.

We do not object to youth incentive entitlement subsidies to public agencies and to private non-profit employers of disadvantaged youth, although we believe such employment must be carefully monitored to prevent abuse. The proposed youth school-and-employment programs would not be "make-work" projects. These programs could help local public agencies facing serious budget reductions, but they must be carefully monitored and policed to prevent substitution or displacement of regular workers.

However, we strongly oppose wage subsidies to private, for-profit employers. We oppose such wage subsidies whether done directly through public grants or through the back door of tax credits. We do not oppose use of federal funds to reimburse private, for-profit employers for extraordinary costs of recruiting, counseling, instructing, and training disadvantaged workers, but we believe that wage subsidies for private, for-profit employers are wrong in general and wrong in this specific instance.

We oppose wage subsidies to private, for-profit organizations because such organizations are significantly different from public and private non-profit organizations in purpose and behavior. "Free labor" wage subsidies to private, for-profit organizations would give these for-profit organizations an unfair advantage over their competitors and would provide these for-profit organizations with unfair windfall profits from public funds. By contrast, public and private non-profit organizations provide services which are not in the competitive market economy, services which benefit the whole community without regard to a profit motive.

Therefore, we urge that H.R. 5017 specifically rule out private, for-profit employers from eligibility for wage subsidies in the youth incentive entitlement program. The full program of payments up to 100 percent of wages and benefits and training costs should be available to public and non-profit private organizations, but payments to private, for-profit employers should be limited to extraordinary costs of recruiting, counseling, instructing, and training economically disadvantaged young people.

We recognize that Section 4(c)(1) prohibits payment for full-time summer employment to a private for-profit employer "unless such employment is a continuation of employment with that employer during the regular school year," but we believe this is not enough protection against exploitation and abuse of the federal wage subsidy. Therefore, we strongly urge you to prohibit reimbursement for wage payments or direct wage subsidies to private, for-profit employers participating in the youth incentive entitlement program of H.R. 5017.

Even for public agencies and for non-profit private employers there should be some limit on how long the wage subsidy can continue and there should be some graduated step-down in the level of the subsidy.

With the changes I have outlined, we would find H.R. 5017 much more workable and much less likely to produce exploitation and abuse.

SUMMER YOUTH SUBMINIMUM WAGE

Mr. Chairman, I also want to take this opportunity to commend your recent statements in which you present the arguments against a youth subminimum wage. A $2.50 an hour summer youth subminimum wage has recently been proposed by President Reagan.

The AFL-CIO strongly opposes any youth subminimum wage.

In fact, we already have a subminimum wage. Since the federal minimum wage was last raised in January 1981, workers earning the minimum have fallen farther and farther behind in the buying power of their wage. Just to make up for inflation since January 1981, the present $3.35 minimum wage would have to be $3.90 an hour.

Furthermore, the Fair Labor Standards Act already permits payment of a reduced "learner" wage conditioned on "no displacement" of other workers. If employers have not used the "learner" wage extensively to offset the cost of hiring unskilled youth, there is no reason to believe a youth subminimum based on the same assumptions would be any more effective in creating jobs for youth.

In a recent study by Professor Garth Mangum, employers were asked "Would you employ more young people if you could legally pay them less than the minimum wage?" Seven percent said they did not know, 10 percent said they would hire more, and 83 percent said they would *not* hire more young people.

The evidence from the Targeted Job Tax Credit also shows failure with respect to employment of teenagers as a result of another form of wage subsidy even bigger than the proposed Reagan youth subminimum.

An analysis of our own on this point (which is attached to my statement) involves the most recent addition to the TJTC "target" list—summer jobs for economically disadvantaged youth ages 16 or 17 on the hiring date. The credit is a "supersubsidy" of 85 percent of up to $3,000 of wages paid between May 1 and September 15. It first went into effect for the summer of 1983.

By comparing labor force and employment figures for 16 and 17 year olds for the months of May–September 1983 with the same months of 1982, we came to the following conclusions:

1. Additional summer employment for 16 and 17 year olds between 1982 and 1983 came not from the private wage and salary sector, but from additional jobs in government and in private household service.

2. Unemployment rates for this group, as compared to a year earlier, began falling only in July, in line with the overall movement of rates for the labor force as a whole.

3. Black youth, ages 16 and 17, did not share in the general improvement in unemployment rates that began in July. Their rates worsened as compared with 1982.

So the TJTC version of a summer youth subminimum wage to encourage private, for-private employers to hire economically disadvantaged teenagers was a resounding fiasco.

Mr. Chairman, we believe it is clear that the summer youth subminimum wage or a general youth subminimum wage is the wrong way to approach the education, training, and employment needs of young people. Your bill, H.R. 5017, with the changes I have suggested, is a much better, much more logical, reasonable, and effective way to meet the needs of economically disadvantaged teenagers, and therefore we are happy to work with you and with this Subcommittee on this legislation.

Mr. Chairman, I appreciate this opportunity to present some of the concerns of the AFL-CIO. We recognize and appreciate your contribution and the contribution of this Subcommittee in widening employment and training opportunities for young people and older workers.

Thank you.

Attachment: Employment of Persons Aged 16 and 17, Summer 1982 and 1983.

APPENDIX—EMPLOYMENT OF PERSONS AGES 16 AND 17, SUMMER 1982 AND 1983

Table 1 shows a basic population and labor force figures for both the total population and for youth ages 16 and 17 for ecah month May-September 1983 with comparisons for the same months of 1982.

In the 16 and 17 year old group, the population was lower in each month of summer 1983 than it had been a year earlier. The population drop produced a smaller labor force in 1983 with generally lower levels of both employment and unemployment, only partly offset by increased labor force participation rates in June, July, and August. (In May and September participation rates were sharply lower than in 1982 and aggravated the labor force decline in those months.)

Unemployment rates for all youths ages 16 and 17 were higher in May and June of 1983 than in the same months a year earlier. Beginning with July, however, rates dropped below year-earlier levels. As shown in Table 1, this trend was the same as for the labor force as a whole.

The pattern for young blacks in the ages 16 and 17 group was distinctly different. Unemployment rates fell below 1982 rates only in the single month of June.

Table 2 shows employment changes by type of industry between summer 1982 and summer 1983 for 16 and 17 year old workers.

As noted for Table 1, employment levels generally dropped, reflecting population drops. However, Table 2 shows that the declines for private wage and salary employment exceeded the overall decline for each month of the period, especially in June, July and August. The offsets to the employment drops in the private payroll sector came principally from increases in jobs in government service and in private household service.

(Separate data are not available for black youth.)

TABLE 1 CIVILIAN NONINSTITUTIONAL POPULATION AND LABOR FORCE, SUMMER 1982 and 1983

(NUMBERS IN THOUSANDS, NOT SEASONALLY ADJUSTED)

	Population		Labor Force		Employed		Unemployed		Pct. of Pop. in Labor Force		Pct. of Labor Force Unemployed	
	1983	Change from 1982	1983	Change from 1982	1983	Change from 1982	1983	Change from 1982	1983	1982	1983	1982
Total Population												
May	173,953	+1,927	110,308	+ 394	99,543	- 414	10,765	+808	63.4%	63.9%	9.8%	9.1%
June	174,125	+1,935	113,383	+1,814	101,813	+1,130	11,570	+684	65.1	64.8	10.2	9.8
July	174,306	+1,942	113,980	+1,454	103,273	+1,783	10,707	-329	65.4	65.3	9.4	9.8
Aug.	174,440	+1,929	113,578	+1,691	103,167	+1,990	10,411	-299	65.1	64.9	9.2	9.6
Sept.	174,602	+1,912	112,197	+1,651	102,366	+2,515	7,830	-865	64.3	64.0	8.8	9.7
Age 16 and 17												
May	7,415	- 346	2,869	- 409	2,125	- 339	744	- 70	38.7%	42.2%	25.9%	24.8%
June	7,384	- 345	3,885	- 90	2,736	- 138	1,148	+ 48	52.6	51.4	29.6	27.7
July	7,355	- 342	4,240	- 171	3,270	- 110	970	- 61	57.6	57.3	22.9	23.3
Aug.	3,338	- 327	3,843	- 145	3,059	- 81	784	- 64	52.4	52.0	20.4	21.3
Sept.	7,322	- 313	2,828	- 242	2,170	- 105	657	-137	38.6	40.2	23.2	25.9
Age 16 and 17 Black Only												
May	1,098	- 25	238	- 3	111	- 2	127	- 1	21.8%	21.5%	53.1%	53.1%
June	1,094	- 25	377	+ 54	154	+ 41	223	+ 13	34.5	28.9	59.2	65.0
July	1,089	- 26	476	+ 7	268	+ 4	208	+ 3	43.7	42.1	43.7	43.7
Aug.	1,086	- 25	358	- 28	214	- 26	144	- 2	33.0	34.7	40.2	37.8
Sept.	1,082	- 25	201	- 52	83	- 44	188	- 8	18.6	22.9	58.7	49.8

SOURCE: U.S. DEPARTMENT OF LABOR, Employment and Earnings (monthly issues)

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TABLE 2 EMPLOYMENT OF YOUTH AGES 16 AND 17 BY TYPE OF INDUSTRY, SUMMER 1982 AND 1983

(NUMBERS IN THOUSANDS, NOT SEASONALLY ADJUSTED)

				OTHER EMPLOYMENT				
		TOTAL	PRIVATE WAGE & SALARY	TOTAL	PRIVATE HOUSEHOLD	GOVT.	SELF-EMPLOYED	UNPAID FAMILY
1983	May	2,125	1,706	419	209	83	76	51
	June	2,736	2,102	634	298	186	83	67
	July	3,270	2,434	837	319	367	80	71
	Aug.	3,059	2,351	707	288	264	77	78
	Sept.	2,170	1,803	366	200	71	59	36
Change from 1982	May	-339	-342	+ 4	+19	-14	+13	-14
	June	-138	-245	+106	+50	+72	+16	-32
	July	-110	-176	+ 67	+15	+94	-10	-32
	Aug.	- 81	-156	+ 76	+39	+59	-13	- 9
	Sept.	-105	-122	+ 17	+ 9	+13	- 5	--

SOURCE: U.S. DEPARTMENT OF LABOR, Employment and Earnings (Monthly issues)

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Mr. **Hawkins**. Thank you, Mr. McGlotten.

Mr. Roberts, I will recognize you. Do you have a statement to make?

Mr. **Roberts**. No. I am happy to endorse and support the statement made by my colleague, Bob McGlotten.

Mr. **Hawkins**. Thank you.

Mr. McGlotten, there is just one clarification I would like to make, as the author of H.R. 5017. You referred to it as an entitlement program. This was true of the youth demonstration program under the 1977 act; 5017, however, is not intended and in my opinion, it is not a job guarantee entitlement, but a fixed appropriation grant program. I think there is a distinction.

I should like to point that distinction out for the record, and I am sure that we can discuss it further for any further clarification. But I just want to make it clear now that it is not technically an entitlement program but a fixed appropriation grant program, and it is certainly not a job guarantee entitlement. It was not intended, and we would certainly clarify it further if necessary.

Mr. **McGlotten**. Thank you for that clarification, Mr. Chairman.

Mr. **Hawkins**. I have no further questions.

Mr. Jeffords.

Mr. **Jeffords**. One of the criticisms that we hear of your testimony, and also to a certain extent Mr. Hawkins' bill, is relative to your statement that you are against any subsidies for private, for-profit business to assume responsibility in the hiring and training of young people. In addition to that, there are requirements in Mr. Hawkins' bill which I believe you favor requiring that the prevailing wage be paid.

The criticism we hear, and which I would appreciate your comments on, is that this effectively would prevent any significant number of youth from obtaining jobs within the private, for-profit sector, and that this is done to protect union members to insure that they have an advantage over these people for jobs. I wondered if you would answer that criticism.

Mr. **McGlotten**. Well, first of all, Mr. Jeffords, I will take the first question. That concerned private, for-profit firms.

Our objection to providing a 100-percent subsidy is based on a pure fact, and that is, one, that business is in business to do business, in the sense to make money; and for all practical purposes, the majority of private, for-profit employers are going to hire those individuals as needed for their workplaces.

For all practical purposes, to give them a 100-percent subsidy is a question of putting them at an unfair advantage over another employer. But also, and more importantly, is the fact that we are not against the whole question of legitimate kinds of costs, the employer being reimbursed for counseling, tutorial services or recruitment. But in terms of wages there is already a "learner" wage. There is already a student wage under the subminimum in terms of a subminimum wage if you want to talk about the whole question of the Fair Labor Standards Act. There are a variety of ways in which employers can help young people under existing law without reducing their wages further.

As relates to the whole question of the prevailing wage, Mr. Jeffords, what we are talking about is trying to maintain the kinds of

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standards that we have been able to buildup over the years. It has not only been the labor movement that has helped promote these standards. It has also been employers who have helped. They have looked at the whole question of occupations, and have fixed job descriptions to those occupations. With those job descriptions come certain qualifications, and with those qualifications comes a certain kind of standard as far as salary is concerned.

That is what we are attempting to maintain, and that is all that we are attempting to maintain. It is not an artificial barrier against the whole question of starting out with additional training wages or other kinds of wages if it is already in the structure, but if it is not, what we are saying is that we want the prevailing wage paid for the particular occupation.

Mr. JEFFORDS. The businessman's reply to you is that he cannot afford to hire people that need training or who are not sufficiently skilled, unless he has subsidies. These factors are putting a barrier up because they do not provide him the ability to be productive or profitable to hire someone.

So we find ourselves with those two opposing arguments, with the young people who desire jobs somewhere caught in the middle.

Mr. MCGLOTTEN. Mr. Jeffords, if the businessman is saying that "I want to hire a disadvantaged youth, and that I know that that youth does not have the proper education," then we are not saying that that employer should not be reimbursed for the extraordinary cost of providing the training for that disadvantaged youth. But if the employer is sincere about hiring a worker, then he is not going to hire an individual to sit there and look nice. He wants a productive worker and we are saying, yes, be a productive worker, and we are willing to talk about the whole question of reimbursing that particular employer for those particular areas which are extraordinary to cost to employ that particular disadvantaged individual. We think that is fair.

I don't know of any employer today who is going to hire a disadvantaged youth if, in fact, that individual is not needed in the employer's work force.

Mr. JEFFORDS. As I understand it, you are willing to accept the reimbursement for training, but not for subsidy of wages. If that individual is not able to produce work which is commensurate to the wages being paid, then a businessman says "I can't afford to hire him because I am going to lose money on him."

Mr. MCGLOTTEN. Mr. Jeffords, since 1967 we have had a program that was sponsored by the Labor Department called the On-the-Job Training Program which I believe is still in existence. I don't know how many employers, Markley, maybe you can correct me, but I don't know how many employers take advantage of it.

But I remember in 1968, the National Alliance of Businessmen said the same thing. And under President Johnson what we attempted to do at that particular time was take the OJT program and said yes, we are willing to look at the whole question of disavantaged youth, and we had job codes. We coded every particular job so that as a result, depending on the skill of that job, that was the reimbursement to the employer.

In other words, if it was a very high level skill job and the individual who went into that job could not meet those particular standards, then there was some reimbursement for training, counseling and tutoring. There are ways to do it without giving a wage subsidy directly to the employers.

Besides that, you make the employers honest in terms of training someone because there you can see it in terms of having an overall schedule to work by, and that program was very, very successful in 1968 and 1969 with the National Alliance of Businessmen, and since that time it has gone by the wayside.

I thought that in my experience, and I know that in terms of our own unions, they thought it was very, very useful in terms of those particular jobs because the individual would be graded on a level and every 3 months they would look at it again, and then the wage subsidy, for all practical purposes, that is what it was, but it was based on the individual. Skill was lowered so that after a period of 1 year, there was no subsidy that offered training because there was no need for it.

Mr. **Jeffords**. I see my time has expired.

Thank you.

Mr. **Hawkins**. Mr. Hayes.

Mr. **Hayes**. Just one question.

Is it your suggestion that support for H.R. 5017, as revised by your proposal, is due to your concern and the AFL-CIO's concern for a solution to what is a tragic human problem rather than a sectarian union interest approach in its efforts to expand its membership by preserving what is already a too low Federal minimum wage?

Mr. **McGlotten**. Well, let me first of all say, Mr. Hayes, certainly with our suggestions that they were approved by the committee, certainly we would support it.

Let me go to the second part of that. The labor movement is not in the business of trying to preserve the minimum wage to keep its membership. Fifty-nine percent of our members are above the minimum wage. What we are concerned about is a decent living standard and a wage for workers in our society today. That is the reason why we are against a subminimum.

There are no subminimum car fares on trollies or buses, no subminimum cartons of milk, and we are saying that the minimum wage is too low at the present time; and to suggest that it is the best thing since sliced bread for black youngsters to be given $2.50 an hour really eludes me.

I feel that black youngsters, just like any other youngsters, should be given a minimum wage that is fair. The majority of the youngsters that are between the ages of 16 and 19, for all practical purposes, are high school dropouts. They are the same kind of young adults that need the kinds of things like you and I need in life. And to suggest that they can get along with $2.50 an hour and to even make it worse, to even suggest that we ought to do this rather than talk about expanding and getting ourselves involved in the kinds of manpower programs that are necessary absolutely mystifies me how someone could even suggest that.

And I will say to you that we are very much in favor of doing all we can for youth. What we really need in this country is a manpower policy to really implement the Humphrey-Hawkins approach, to really be committed to the real question of the kinds of human needs that we have in our society, to develop the kind of consciousness that is important where we look at youth and we look at the whole question of what is going on in our society today to fit those youths with the world of work.

That is what we really need, not a double wage standard and particularly for black youth.

Mr. **Hayes**. No further questions.

Mr. **Hawkins**. Mr. Nielson.

Mr. **Nielson**. I just have one question, following up on Representative Jeffords' question. Do you feel by eliminating the private, for-profit group from subsidies, do you feel that you might be cutting down the number of opportunities you have and cutting down your market by eliminating a large sector of the economy?

Mr. **McGlotten**. No, Mr. Nielson, as I said before, I think that basically employers will hire people as they see the need to hire people. And I think that basically if we provide them with the kind of training subsidies similar to the OJT program that I spoke of, I think that many employers will grab it and run with it.

That has to be a commitment on the part of employers to do that. They were willing to do that in 1969, and I don't see any reason why they can't do it in 1984.

Mr. **Nielson**. Mr. Hawkins' bill includes all categories, the private, nonprofit, the private for-profit, and the public sector in his bill, and you are suggesting he take out one of those legs. Isn't that a three-legged stool that you need to provide enough opportunities?

Mr. **McGlotten**. Not when it comes to wage subsidies, I wouldn't characterize it as a three-legged stool, Mr. Nielson.

Mr. **Nielson**. I think you indicated in the survey Dr. Mangum had, I read it, 7 percent—and it says 10 percent, which is even a better argument for additional jobs, but let me indicate on that particular point, how many of that 10 percent were private, for-profit? Statistically you are asking how many employers would hire more people? Were they private, nonprofit or private, for-profit?

Mr. **Roberts**. I think those were all for-profit.

Mr. **Nielson**. So you would shut that 10 percent off, who would increase now completely from your proposal. That is what you are asking?

Mr. **McGlotten**. No, that is not what I am asking at all, Mr. Nielson. My statement was the whole question regarding the Mangum study was based on subminimum wage. It wasn't based on subsidy. That wasn't the question that he raised.

Mr. **Nielson**. I realize that, but I am saying if our object is to provide more jobs, at whatever wage for not only those who just want jobs for the summer but those who are dropouts and need them all year round, as you characterize, do you think it is wise to freeze out of the program, and the possibility of creating jobs, the whole sector; namely, the private profit group?

Mr. **McGlotten**. Frankly, I don't think you really freeze out anybody, but my colleague would like to comment also.

Mr. **Nielson**. Maybe I need to see your amendment per se, because I am afraid you would seriously weaken the objective of our chairman if you limited to the extent you are suggesting.

Mr. ROBERTS. Mr. Nielson, already in effect there is a program operating with the National Alliance of Business and the AFL-CIO's Human Resources Development Institute, and these business and labor groups are working together to encourage the hiring and training of disadvantaged workers, adult and youth workers.

I think what I am getting at here is that there are already efforts under way which do not necessarily involve expenses paid by the Federal Government and that sometimes these programs are effective. Bob McGlotten referred to work that was going on in 1969, and one of the things we have discovered is that the private business participation in these programs, even without subsidies increases in times expansion, in good times and decreases in bad times.

In other words, the participation of business is not a matter of subsidies or reimbursements. They participate to a limited degree, but not as much as everyone hopes and expects that they will.

But the key factor in the participation of the for-profit employers is the general state of the economy and also the state of the particular industry and particular company.

Mr. NIELSON. I grant that. But if there is no economic incentive for the private for-profit to hire additional people and to provide the extra training we all desire, are you not limiting the scope by freezing out society or freezing out of the participation a group which could provide, with a little effort on their part, a lot of jobs? Are you not limiting your opportunities? That is all I am suggesting.

This is an employment opportunities subcommittee and employment in a private, for profit is not necessarily evil employment, and I get the impression that somehow that kind of a job that might be offered to youth would be somewhat suspect whereas a job offered by a private, nonprofit would be a great opportunity or a public great opportunity.

I don't want you to be differentiating as to which job the student could do which might be a desirable job and which might be a somewhat less than desirable job, or something like that. One might be condescension. I get the impression that you are maybe a little selective as to what kind of work these individuals are doing. I want to be assured on that point, that you are not trying to undercut a whole sector of the economy.

Mr. ROBERTS. Let me express a reassurance to you, Mr. Nielson, because we do not have any doctrinary opposition to the private sector employment. We recognize that that is where most of the jobs are. I am not sure that that is where most of the jobs for the target group in H.R. 5017 are, but we are not opposing the young people going into those jobs. The evidence from the past, the evidence from these TJTC and the "learner" wage under the fair labor standards all indicate that this issue of the subsidy on the wages is not a key factor.

The experience that Bob McGlotten referred to with the National Alliance of Business indicates that there is a considerable social concern among business for profit employers, and they do participate, but they simply geared their level of participation to their own check conditions.

Mr. **Nielson**. I appreciate your comments. I didn't want the impression to be left in the group that somehow private, for profit was a job that was not one to be looked at or we don't want to encourage those people to help and participate their full share; and if it takes some kind of tax incentive to get them to see the light and do what the chairman wants them to do, I personally don't want to limit my options.

And I say to the chairman that I would resist that suggestion because I think it limits your bill into how much you are trying to expand the program. I just make that comment, but I appreciate your testimony. You did very well.

Mr. **McGlotten**. Thank you very much.

Mr. **Nielson**. Thank you, Mr. Chairman.

Mr. **Hawkins**. Thank you, gentlemen, for excellent testimony. We appreciate it.

Mr. **Hawkins**. The next witness is Mr. Julio Baretto, legislative assistant of the League of United Latin American Citizens [LULAC].

STATEMENT OF JULIO BARRETO, LEGISLATIVE ASSISTANT, LEAGUE OF UNITED LATIN AMERICAN CITIZENS [LULAC]

Mr. **Barreto**. Good morning, Mr. Chairman.

Mr. **Hawkins**. Mr. Barreto, we appreciate your appearance before the committee. We appreciate your testimony. Your statement will be entered in the record in its entirety, and we will hear from you now.

Mr. **Barreto**. We thank you for the opportunity to testify, Mr. Chairman. As usual, you open the opportunity for us to express our views, and we always appreciate that.

For the record, my name is Julio Barreto, Jr., and I am a legislative assistant with the League of United Latin American Citizens [LULAC], the Nation's oldest and largest Hispanic organization, with over 110,000 members in 43 States. We take great pleasure in appearing before you this morning to lend our support to Congressman Hawkins' bill, H.R. 5017, the Youth Incentive Employment Act.

I would like to give you a brief overview of the Hispanic community, give you some statistical data that we used as a basis for our support of the bill.

From 1970 to 1980 the Hispanic population grew at a rate of 61 percent versus the 9 percent growth rate for non-Hispanics.

The median age for Hispanics is 23 years with more than 20 percent below the age of 10 as of 1980, while less than 3 percent were 70 years or older. This compares with the median age of 31 for non-Hispanics with 14 percent below the age of 10 and close to 8 percent 70 years and older.

The median family income for Hispanics in 1982 was $16,228 versus $23,907 for non-Hispanics; 29.9 percent of Hispanic persons were below the poverty line versus 15 percent of non-Hispanics in 1982; 18.8 percent of Hispanics receive food stamps; 44.5 percent of Hispanics receive free or reduced-price school lunches; 10.8 percent of Hispanics receive public or subsidized housing; 20.3 percent of Hispanics receive medicaid.

The unemployment rate for Hispanics climbed from 1979's figure of 8.3 percent to 1982's figure of 13.8 percent, and a 6-month 1983 average of over 15 percent.

According to a report by the American Council on Education entitled "Minorities in Education," the Hispanic dropout rate is 50 percent.

Only 7 percent of Hispanics finish college; close to 18 percent aged 25 and older are considered functionally literate.

We are deeply concerned about young minds and their desire to be a success, but they often lack skills that prevent them from requiring those training skills that lead to greater employment opportunities.

We have heard, and anticipate continued resistance to this bill because of its cost. We believe those opposing this bill for economic reasons must decide when we should invest in our youth. Do we do so in the beginning when opportunities are available to them or at the end when our youth inhabit our unemployment lines, our welfare lines, our prisons, our drug addiction centers, and our other institutions where the loss of spirit prevails?

Unfortunately, this Nation has not provided a comprehensive approach to structural unemployment. We deeply believe that skills training cannot occur without bridging the educational discrepancies that are so prevalent today. We appreciate the efforts of Congressman Hawkins and his efforts to enact legislation that addresses this point, and hope that H.R. 5017 will be the push that takes us toward a comprehensive economic policy.

It is unfortunate that H.R. 5017 must be debated at a time when the subminimum wage issue has received a great deal of support from different corners of the country. We must call to question the motives behind the subminimum wage debate because it runs counter to the legislation discussed today. While our final analysis is not complete, our initial concerns are twofold: Is it a prelude to permanency or just for the summer? And are supporters of subminimum wage trying to say that the inability to get a job is based on pay or the lack of education and training?

More importantly, and there is a third question that arises, will it address our long-term educational and employment concerns? We think not.

There are two things that I would like to take issue with. One is a statement that Mr. Jeffords made earlier questioning whether we should reduce the amount of earnings for summer youth who are employed. The analogy that I would have to use would be that of a pie, and it appears that Mr. Jeffords is suggesting that maybe we should give the impression that we are sweetening the pie by adding a little bit more sugar when in actuality what we are doing is just adding to some of the negative elements that are in that pie. We all know that there are a lot of chemical additives that are bad for a person's health and adding more sugar to the pie just increases that.

Our feeling is that Hispanics have always been in a situation where we have always had to accept cutbacks. There are many Hispanic youth who rely on those wages because they are teenage parents and No. 2, they are helping to support their sibling and their parents. Also there seems to be a misconception that this whole discussion of subminimum wage is new. In actuality, we have had not only subminimum wage, but sub-subminimum wage throughout this country when we talk about migrant workers.

We cannot, in all honesty, support subminimum wage. The entire issue is something that we feel is an effort by the Reagan administration to just grab straws and basically make a political gesture this year. It is our feeling that your bill adequately addresses the concerns that we have, both short term and long term, and we certainly are supportive of your legislation, and we will do what we can to see that it is passed.

Thank you.

[Prepared statement of Julio Barreto, Jr., follows:]

PREPARED STATEMENT OF JULIO BARRETO, JR., LEGISLATIVE ASSISTANT, LEAGUE OF UNITED LATIN AMERICAN CITIZENS (LULAC), WASHINGTON, DC

Good morning. For the record, my name is Julio Barreto, Jr., and I am a Legislative Assistant with the League of United Latin American Citizens (LULAC), the nation's oldest and largest Hispanic organization, with over 110,000 members in 43 states. I take great pleasure in appearing before you this morning to lend our support to Congressman Hawkins' bill, H.R. 5017, The Youth Incentive Employment Act.

The Hispanic community is the fastest growing ethnic group in the United States today. An overview of the community reveals that:

As of March 1983 there was an estimated 15.9 million Hispanics in the United States according to the U.S. Census while unofficial counts place the number at closer to 20 million;

From 1970 to 1980 the Hispanic population grew at a rate of 61 percent versus the 9 percent growth rate for non-Hispanics;

Hispanics are predominately located in California (31 percent); Texas (20 percent); New York (11 percent); Arizona, Colorado, and New Mexico (9 percent); Florida (6 percent); Illinois (4 percent); with the remaining 18 percent scattered throughout the U.S.;

Hispanics live in metropolitan areas with 50 percent living inside central cities and 37 percent living outside central cities;

The median age for Hispanics is 23 years with more than 20 percent below the age of 10 as of 1980, while less than 3 percent were 70 years or older. This compares with the median age of 31 for non-Hispanics, with 14 percent below the age of 10 and close to 8 percent 70 years and older;

Twenty-three percent of Hispanic families were maintained by females, versus 15 percent for non-Hispanic females in 1983;

The median family income for Hispanics in 1982 was $16,228, versus $23,907 for non-Hispanics;

Twenty-nine point nine percent of Hispanic persons were below the poverty line, versus 15 percent of non-Hispanics in 1982;

Eighteen point eight percent of Hispanics receive food stamps, versus 8.6 percent for non-Hispanics;

Forty-four point five percent of Hispanics receive free or reduced-price school lunches, versus 21.5 percent for non-Hispanics;

Ten point eight percent of Hispanics receive public or subsidized housing, versus 10.7 percent for non-Hispanics;

Twenty point three percent of Hispanics receive Medicaid, versus 9.6 percent for non-Hispanics;

The unemployment rate for Hispanics climbed from 1979's figure of 8.3 percent to 1982's figure of 13.8 percent, and a six-month 1983 average of 15 percent;

According to a report by the American Council on Education entitled "Minorities in Education", the Hispanic dropout rate is 50 percent;

Only 7 percent of Hispanics finish college; close to 18 percent aged 25 and older are considered functionally literate.

These statistics underscore our support for H.R. 5017. It is our belief that this bill will fill the void that existed within the Jobs Training Partnership Act (JTPA) by ensuring an educational foundation for disadvantaged youth is provided. While hindsight is 20/20, we are deeply concerned about our young minds who have the desire but oftentimes lack the educational skills that prevent them from mastering training opportunities.

We have heard, and anticipate continued resistance to this bill because of its cost. We believe those opposing this bill for economic reasons must decide when we should invest in our youth. Do we do so in the beginning, when opportunities are available to them, or at the end, when our youth inhabit our unemployment lines, our welfare lines our prisons, our drug addiction centers and our other institutions where the loss of spirit prevails?

Unfortunately, this nation has not provided a comprehensive approach to structured unemployment. We deeply believe that skills training cannot occur without bridging the educational discrepancies that are so prevalent today. We appreciate the efforts of Congressman Hawkins in his efforts to enact legislation that addresses this point, and hope that H.R. 5017 will be the push that takes us toward a comprehensive economic policy.

It is unfortunate that H.R. 5017 must be debated at a time when the subminimum wage issue has received a great deal of support from different corners of the country. We must call to question the motives behind the subminimum wage debate because it runs counter to the legislation discussed today. While our final analysis is not complete, our initial concerns are twofold: is it a prelude to permanency or just for the summer? And, are supporters of subminimum wage trying to say that the inability to get a job is based on pay or the lack of education and training?

Thank you.

Mr. Hawkins. Thank you, Mr. Barreto.

The comprehensive approach which you suggest is certainly, I think, one of the ideas that unfortunately is overlooked. I think you dealt with it in a very adequate manner. I would assume from that suggestion that you believe that any proposed solution to the problem dealing with unemployment should definitely include improvement of educational skills, some training and so forth, that without this inclusion that we are not really reaching the problem at all or only temporarily for that reason, or should not give too serious consideration to such a proposal?

Mr. Barreto. We certainly would agree with that. Without one, we don't believe you can have the other.

Mr. Hawkins. You also mentioned the cost on page 3, resistance to H.R. 5017 because of its cost. This argument, I think, as you point out in that paragraph, overlooks the fact that providing jobs, while it may be an initial outlay, does, in effect, save costs in the long run, and that it is a question of whether or not we are going to take care of it in terms of making an individual productive or whether or not we are going to take care of it in unemployment insurance, welfare, prisons, drug addiction, and other ways.

Is that a true statement?

Mr. Barreto. Yes, it is.

There was a statement that was made that I believe was by one of the testifiers that many youth who would receive $2.50 would be very happy to receive that, and certainly that just emphasizes the gravity of the situation that is out there.

Once again, we have always been in the situation where we have been at the bottom of the rung and often times when many of these issues are discussed, we are often on the outside looking in. Educationally we have been lagging behind for years, and the statistics that I have cited just point that out. Economically, once again, we are falling way behind, an overwhelming number of those migrant workers are Hispanic and the conditions that they must work under should be an example of those who advocate subminimum wage; to suggest that, there could be a great deal of not only discrimination but abuse if this were enacted.

Mr. **Hawkins**. One of the impressions I get from your testimony is that the subminimum wage idea is not a new idea, that it is an old one, that it has been tried at various times, that it has been advocated, that it has been in operation so that in suggesting that we need a demonstration or a pilot program is certainly unnecessary because the demonstration has already been had many, many times before and for one reason or another has been rejected as a permanent program.

Is that true?

Mr. **Barreto**. That is very correct, sir, yes.

Mr. **Hawkins**. We certainly wish to express our appreciation to you and the League of United Latin American Citizens for your testimony before the committee this morning.

Mr. **Barreto**. Thank you, once again.

Mr. **Hawkins**. Thank you.

That concludes the hearing this morning on H.R. 5017. The next scheduled hearing is on June 19, at which time the Secretary of Labor has been invited to testify before the committee and has accepted, and we look forward to that continuation.

That concludes the hearing.

[Whereupon, at 12:20 p.m., the hearing was adjourned subject to the call of the chair.]

[Material submitted for inclusion in the record follows:]

PRINTING INDUSTRIES OF AMERICA, INC.,
GOVERNMENT AFFAIRS DEPARTMENT,
Arlington, VA, May 23, 1984.

Hon. Augustus F. Hawkins, Chairman, Subcommittee on Employment Opportunities of the Committee on Education and Labor,
U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: I regret that the time and scheduling demands did not afford the Printing Industries of America an opportunity to testify on the employment problems of the nation's youth during hearings on May 22nd. I would request that this letter be made part of the record of that hearing. Our comments reflect the views of not only PIA but the National Association of Printers and Lithographers.

In 1983, PIA conducted a survey of our approximately 8,500 member companies which do not have a collective bargaining agreement. I have attached a copy of pertinent sections of that survey and the results. As indicated, 84% of the respondents indicated support for a youth minimum wage. Further, 75% of the respondents indicated they would hire young people if there were a youth differential wage. Rather than end the questions at that point, we asked those who said they would hire young people if they would create a job or hire the young person at the youth wage, rather than someone else at the current minimum wage. Of the respondents who indicated they would hire a young person, 84% said they would *create a job for a young person*. (We would calculate this 84% figure at 63% of all respondents by multiplying 75% x 84%). If our survey respondents are indicative of the entire group we surveyed, 5,355 jobs would be *created* by the youth wage without jeopardizing other workers' security. We do not claim this survey is scientifically accurate. We conducted the survey as a way to guide our policy on several issues. We do believe, however, that the results are indicative of the support the youth wage issue has in our industry. We surveyed the companies without collective bargain plans because these companies are less restricted in their ability to add employees.

We have followed closely the concerns voiced by some that employers have not used many of the programs currently available for hiring young people, such as the Job Training Partnership Act and the Targetted Job Tax Credit. These are fantastic programs and we think they will work. They share a common problem which is that the companies which could use them the most effectively are either unaware they exist or are leary of federal programs. PIA and other trade associations have worked diligently to inform our members of the potential in these programs. Each time we publish information, new jobs are created as more and more of our members become aware of the program. The problem we and our groups face is education. The programs are strongly supported and the low percentage of use of these programs should not be taken as an indication to the contrary.

We strongly believe a youth differential wage, with a two year sunset provision unencumbered by other programs, would demonstrate conclusively whether the idea has merit. No one will be hurt by the effort. Some, perhaps many, will be helped.

Sincerely,

Benjamin Y. Cooper,
Senior Vice President, Government Affairs.

Enclosure: Sections of PIA Member Survey.

1. President Reagan has proposed a "Youth Differential Minimum Wage" at a rate lower than the current federal minimum wage to encourage the employment of young people. Do you support or oppose a lower minimum wage for young people?

84% Support   16% Oppose

2. If a "Youth Differential Minimum Wage" were enacted by Congress, would you hire young people in your business?

75% Yes   25% No

3. If your answer to #2 was yes, which of the following would be most true:

84% The young people I hired would be in addition to regular hiring. In other words, I would create a job for a young person.

16% I would hire a young person at a lower wage instead of someone else at a higher wage.

4. President Reagan is expected to propose a cap on the amount of tax exempt health benefits an employer can provide his employees. In other words, employees would have to treat benefits above a set amount ($70 for an individual, $175 for a family per month) as income for tax purposes. Do you support or oppose such a plan?

23% Support   77% Oppose

5. If the proposal described in question #4 is adopted, would your employees be affected? In other words, are your health benefit premiums above $70 for an individual and $175 for a family per month?

58% Would be affected   42% Would not be affected

6. The National Commission on Social Security has issued a report calling for many changes in the Social Security system. From what you understand of the compromise proposed, do you generally support or oppose the proposal?

79% Support   21% Oppose

7. Among the specific proposals in the Commission's report were the following. Please indicate whether you support or oppose these specific proposals.

Support	Oppose	
73%	____	A gradual increase in the retirement age
91%	____	Adding federal workers to the Social Security system
57%	____	Freezing cost of living adjustments to retiree benefits

8. The Congress will be pressured during the 98th Congress to remove the retirement age ceiling. If they do so, there will be no specific age requirement. Do you support or oppose the retirement age cap?

50% Support   50% Oppose

9. Locating skilled employees has been a major problem in the printing industry under the Federal

PREPARED STATEMENT OF AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES, WASHINGTON, DC

The American Federation of State, County and Municipal Employees, representing over one million federal, state and local government employees, submits the following statement in support of H.R. 5017 to provide part-time school year and full-time summer employment to economically disadvantaged youth.

We commend the members of this Subcommittee for their continuing efforts to improve employment and training opportunities for this nation's unemployed and underemployed. We appreciate and support the Subcommittee's understanding that attempts to achieve full employment must necessarily include specific, targeted programs as well as macro economic policies.

Certainly, today, whether or not one believes that the economy is improving and whether or not one believes that current policies might result in full employment, all must concede that the private sector has failed to provide sufficient employment opportunities for our youth, especially disadvantaged youth.

A recent press conference by teenagers on Capitol Hill organized by the Full Employment Action Council and the United States Student Association dramatized the youth unemployment situation. Forty percent of the over eight and a half million Americans out of work are under twenty-five. Teenagers represent nineteen percent of the unemployed. They want to work. The overwhelming majority of tennagers, classified as outside of the labor force, would like to work at least part-time. But the economy is simply not creating jobs for them. Between 1979 and 1983 the number of employed teenagers fell at almost three times the rate of the decline in the total teenage population. Of the over five million jobs created during the last year and half, fewer than ninety thousand went to teenagers.

Black teenagers suffer the most from our failure to create jobs for our youth. Forty-four point one percent are unemployed. Only twenty point three percent are employed and only six percent work full-time. Almost half of our white teenagers work full or part-time. While twenty-three point five percent of white high school drop outs can't find work, thirty-seven point five percent of black high school graduates are unemployed.

The lost opportunities for experience, income and identification with our society represented by these figures are staggering. The need for a job creation and training program targeted to disadvantaged youth is obvious and immediate.

The immediacy of our teenage unemployment problem requires solutions that we know work, programs that have been tested and evaluated, rather than untested ideas with uncertain short and long term consequences. We know that the youth incentive entitlement program operated by the Manpower Demonstration Research Corporation under the Youth Demonstration Projects Act of 1977 was successful. H.R. 5017 draws on that experience. We know that the public service employment programs under the old CETA successfully and quickly increased employment. We also know from our experience with CETA that it takes thoughtfully constructed protections for current employees to insure that such increased employment will be new employment. We congratulate the authors of H.R. 5017 for drawing on this important experience as well. The Administration's proposal for a subminimum wage for youth fails to take advantage of this history.

Members of the Subcommittee will recall that we at AFSCME take this history very seriously. We have always supported targeted federal employment and training programs, particularly those that include public service employment. However, we have insisted that such legislation protect existing public workers from substitution and displacement in order to insure the creation of new jobs. We have learned that it isn't enough to merely "prohibit" substitution as the Reagan Administration's youth subminimum legislation does. To be effective federal job creation legislation has to spell out what it means by subsititution, create reporting requirements that reveal it or an appeals process that can take it into account, require that subsidized workers earn the same wages and benefits as unsubsidized workers and allow labor unions to see and comment upon all proposals prior to their approval and implementation. H.R. 1036, The Community Renewal Employment Act, which passed the House last Fall would have best accomplished all of these goals. The Committee is to be commended for its work on that legislation.

The language of H.R. 5017 and the sections of the Job Training Partnership Act referenced by it provide necessary employee protections, protections that will guarantee an increase in overall employment for federal effort under this Act. These include language:

prohibiting the contracting out of work previously or customarily provided by a public entity;

requiring an increase in employment opportunities over those opportunities that would otherwise be available;

prohibiting the displacement of currently employed workers (including partial displacement such as in hours or wages or benefits);

prohibiting substitution;

prohibiting the hiring of any youth when a regular employee is on layoff or in cases of reduction in force in anticipation of youth employment;

protecting the promotional opportunities of currently employed workers and providing that new youth employees begin in entry level positions;

providing for the notification of and comment by affected labor organizations;

mandating prevailing wages unless otherwise agreed to by the affected labor organization;

insuring that youth employees' benefit and working conditions parallel those of similar unsubsidized empolyees; and

protecting and upholding existing collective bargaining agreements and the rights of employees to organize.

AFSCME opposes the Administration's subminimum wage for youth. It fails to spell out any employee protections. It is admittedly an experiment to be evaluated three years hence. It cannot be targeted to disadvantaged individuals.

H.R. 5017 passes all of these tests. In addition to including important employee protections, it draws on experience with programs that have worked. Its provisions can take effect immediately and can be directed toward individuals and localities with the greatest need. It has our support.

STATE OF NEW YORK,
DEPARTMENT OF LABOR,
Albany, NY, May 29, 1984.

Hon. AUGUSTUS HAWKINS,
Chairman, Subcommittee on Employment Opportunities with the Committee on Education and Labor,
U.S. House of Representatives, 2371 Rayburn House Office Building, Washington, DC.

DEAR CONGRESSMAN HAWKINS: It is with pleasure that I, on behalf of the State of New York, endorse the proposals of the Youth Incentive Employment Act. H.R. 5017 embodies concepts that we in New York State know will encourage young people to stay in school and assist them in the essential transition from school to work. We can offer you this assurance because we have created just such a program in New York and have measured and validated its results.

Based on our experience, we believe that there are some slight modifications to your program that can improve it. The changes should address the following in our opinion:

the funds distribution formula
provide for expanded role for state government
provide funding for statewide programs to the Governor

Attached for inclusion in the Record of the House of Representatives is our commentary which supports this legislation and makes what we feel are constructive suggestions.

In closing, I commend you for your initiative in addressing a serious problem in an effective way.

Sincerely,

LILLIAN ROBERTS,
Commissioner of Labor.

Attachments.

COMMENTS AND RECOMMENDATIONS
FOR
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON EDUCATION AND LABOR
EMPLOYMENT OPPORTUNITIES SUBCOMMITTEE

YOUTH INCENTIVE EMPLOYMENT ACT
HR 5017

SUBMITTED BY
NEW YORK STATE DEPARTMENT OF LABOR

LILLIAN ROBERTS, COMMISSIONER

INTRODUCTION

This presentation addresses:

- Support for passage of this legislation.
- AVE - successful youth employment preparation program in New York State.
- The fund distribution formula.
- Defined role of the States.
- Needs of Youth.

SUPPORT FOR PASSAGE

Mr. Hawkins, on behalf of the State of New York, I commend you and the co-sponsors of HR 5017 for proposing a much needed action that will have a favorable impact on the lives and futures of approximately one million of this nation's discouraged youth. Not only will these youths realize long term benefits from your effort, but our society also will share in the fruits of the future labors of the participants identified in this bill.

This program targets activities for the economically disadvantaged, unemployed, ill-educated youths in our communities. These are discouraged youths who are at risk of long-term dependence on the social welfare system or involvement in our correctional system. Without the intervention of government, this group will have little chance of obtaining a meaningful work experience. Your proposal offers an alternative that can guide these youths toward a solid foundation based on knowledge and skills.

The program effectively fosters an important linkage between education and employment by making continued participation in the jobs phase conditional on acceptable performance in the schooling phase of the program. Additionally, compensation to the administrative entity for such supportive services as child care and transportation demonstrate your recognition that these needs, if not addressed, would continue to impede the anticipated progress of the youth.

In New York State, we share your concern for forging effective strategies to address the critical employment and training needs of disadvantaged youth. The highly successful Adolescent Vocational Exploration (AVE) program is one example of New York State's commitment in this area. Because of its unique early intervention/career education emphasis, we believe the AVE concept can be instructive for other youth programs and should be applied to the legislation you have proposed.

AVE - SUCCESSFUL YOUTH EMPLOYMENT PREPARATION PROGRAM IN NEW YORK STATE

Overview

The AVE program is a private sector/career education program for youth who are "at risk" of becoming school dropouts, unemployed young adults, or youthful offenders. It is founded on the premise that a non-traditional early collaborative effort of targeted resources can effectively intervene in the life experience of "at risk" youth before the young people are forced to face the consequences of inadequate preparation for the job market. Targeting of youth begins at 14, while there is still time for youth to identify and shape their own skills and vocational direction.

The goal of the AVE program is preventive in nature. It seeks to increase the potential employability of youth who are at risk of dropping out of school by:

- Motivating youth to assume early responsibility for their own career planning and preparation;
- Utilizing career exploration to teach decision-making skills;
- Providing work-related basic skills instruction; and
- Providing appropriate adult role models.

The program's classroom-based component, a career-education curriculum, exposes participants to a broad range of career options and provides support in basic skills. The job exploration phase of the program affords first-hand field experiences in various occupational areas. Evaluation results indicate that providing at-risk youth with a better understanding of the purpose and outcome of their efforts is critical for their future job retention and advancement. We also believe that this knowledge provides youth with a strong incentive for continuing their education.

History

In April of 1980, New York began what has become the AVE program model. Twenty-two (22) program sites were funded, serving 3,300 CETA eligible participants. In 1981, 27 community-based organizations were funded and a statewide management team was established as the policy-making arm of this program. In 1982, 17 sites were funded by the State Legislature. Three rural sites incorporated the AVE model in a sister program called Rural Adolescent Vocation Exploration (RAVE) sponsored by county employment and training offices. The fourth year of AVE produced 24 urban projects utilizing combined funding of state appropriations with CETA.

The New York State Department of Labor, as the funding management agency for AVE, was aided by the state's Education Department provision of project staff training, curriculum coordination, and accreditation review. Each locally run AVE program is evaluated by a team of educators who certify that the program qualifies for academic accreditation. After the first pilot operation year, all local programs received the academic accreditation. An independent consulting firm was also engaged to evaluate the model, both to assist in the validation process, and to provide objective data by which the program could be continually refined and improved.

Results

Through extensive evaluation, accreditation by NY State Education Department, and numerous testimonials of group and personal experience, the AVE model has proven an exemplary successful youth service program. A sampling of the AVE results, both anticipated and unanticipated, shows that:

- AVE participants demonstrate 5 to 10 months gain over the summer, in their reading and math scores as measured by the California Achievement Pre and Post Test.
- AVE participants demonstrate statistically and educationally significant gains in career decision making skills as measured by the Career Decision Making Skills test of the Career Skills Assessment Program developed by Educational Testing Service and offered through the College Board.
- Participants' on-time daily attendance rates were more than 95% at all sites, statewide.
- 98% of the AVE participants return to school in the Fall. School officials report positive attitudinal and behavior changes in these participants.
- In the past four years, 90 programs have been operated by 50 different community-based organizations, serving over 8,000 young people in New York State.

- An average of over 50 local employers per site have provided career awareness and development opportunities. In 1983 over 1,200 employers provided experiences for AVE participants. Satisfaction among participating employers has remained high; about 90% have indicated each year that they would like to continue their participation.

- A parent involvement component has evolved, as a result of the number of parents who have voluntarily come forward to acknowledge the improvements in their children, and the community involvement of staff and participants.

- The methods and techniques used in AVE have been extended into other programs of the program agents. Staff also report use of the curriculum in other settings, with positive results.

- A statewide network of youth-serving agencies of proven effectiveness has developed as a significant youth advocacy voice in New York State.

- The program's identity continues in the community beyond the calendar of AVE, and many role models continue to interact with AVE participants during the course of their normal lives within their community, broadening the pool of life models available to the participant.

- The NYS Legislature has recognized the validity of this program by the inclusion of funding resources in the State budget.

Further Endorsement

To ascertain the impact of the AVE concept in relation to other program strategies, New York State Commissioners of Labor and Education, in cooperation with the State Commissioners of Social Services and the Division for Youth, convened a conference on youth education, training and employment in March of this year. Conference participants examined myriad intervention models which have been implemented to prepare disadvantaged youth for the workforce.

A diverse array of program concepts was presented including the Standard Oil TJTC Loaned Youth program, the New York City Partnership Summer Jobs program, and the Manpower Demonstration Research Corporation (MDRC) Youth Entitlement program. In addition, numerous foundations presented analyses of various program models and their assessments indicated that the experienced based career education approach as incorporated in the AVE program provided a highly effective mechanism for motivating at risk youth to make beneficial career decisions. As noted by Jane Lee Eddy of the prestigious Taconic Foundation, "A program like AVE is essential for at-risk junior high school students because of its effectiveness in motivating young people to stay in school."

Future Directions

Although there is no one program design that serves the needs of all youth, we firmly believe that this intervention strategy has significant potential for effective use with many other populations. We are currently designing two programs based on this model to serve homeless youth and teenage mothers who are dependent on welfare assistance.

In addition, we are implementing a School-to-Employment program with the assistance of MDRC. This program will require participants to continue their education as a condition for employment. It utilizes the experience learned from the Entitlement demonstration and will be applied to in and out-of-school youth populations.

We will be happy to share with you additional information about both of these programs. We urge you to consider the importance of early vocational exploration and work-related basic skills instruction as essential components of programs for disadvantaged youth. Our findings clearly indicate that such an approach could greatly enhance the legislation the sub-committee is deliberating.

FUNDS DISTRIBUTION FORMULA

The funding formula, outlined in the bill as the distribution mechanism, should be modified to target more effectively the funds to those persons intended to be served.

Subsection 9(b)(1)(A) targets one-third of available funds based on the relative number of economically disadvantaged youth in the service delivery areas. Subsections (B) and (C) however, each base an additional one-third of the funds on the relative number of total unemployed and the excess number of unemployed in the civilian labor force respectively. Including, in the formula base, a group which is outside the target population, results in an inequitable distribution of the allotted funds away from areas with high concentrations of the target population.

We, therefore, recommend that:

1. The relative number of economically disadvantaged youths should be weighted more heavily in the allocation formula. Targeting two-thirds of the available funds based on this factor will assure a more equitable distribution of those funds.

   This will give appropriate emphasis to the need of those discouraged, "turned off" youth who have no affiliation with the labor market and thus are not counted as unemployed. But these are precisely those most in need of our assistance.

2. The relative number of unemployed youths in the civilian labor force should be the formula base for distributing the remaining one-third of the funds. This factor will more accurately identify concentrations of the target population than will the relative numbers of total unemployed or excess unemployed.

Since this bill is designed to serve economically disadvantaged and unemployed youths, the funds should be distributed, to the extent possible, to those areas where these persons are concentrated.

DEFINED ROLE FOR THE STATE:

The bill as presently drafted assigns a very limited role to the states. Namely, the State Job Training Council is responsible only for receiving and commenting on each SDA plan submitted.

This bill should acknowledge the importance of the Governors' responsibility for statewide coordination as established in the Job Training Partnership Act (JTPA) rather than revert to a "Prime Sponsor" type system which died with the expiration of CETA.

We recommend that the bill specifically authorize the Governors to coordinate the delivery of services under this Act with State plans for service to the affected target group. The State administrative authority and responsibility should be patterned upon those which exist for the Job Training Partnership Act. This modification will assure that the State agencies providing youth related services will be able to contribute the guidance and technical assistance needed, and it will enhance coordination with existing State programs.

We also recommend that set-aside funding should be identified for Governors for Special Services and Coordination. Grants to Governors under CETA Title IV - Youth Programs fostered innovative, model program development by the States. The resulting expertise should be utilized under this Act.

In New York State, the expansion of the highly effective State-funded Adolescent Vocational Exploration program would result in long-range benefits to the target population.

Also in New York, we have already established the School To Employment Program (STEP) which draws heavily upon the experience with successful youth employment programs in New York and elsewhere. Most significant of these was the model developed under the Youth Incentive Entitlement Pilot Project (YIEPP) demonstration which was created by Congress in 1977. To maximize program impact, STEP focuses on serving 16 and 17 year old, low-income, in-school youth.

Based on research findings, different strategies are needed for these youth than are needed to serve school dropouts. But it is important to recognize that this state has in place an administrative and programmatic entity that can effectively carry out the mandates of your bill.

NEEDS OF YOUTH

It is a common understanding among adults in this nation that a high school diploma is becoming of greater necessity for teenagers who are entering the labor force. Available statistical data reinforces this perception dramatically.

A comparison of national data on high school dropouts (age 16-21) between 1965 and 1981 will illustrate the point. In 1965, 14.9% or one out of seven of these teenage dropouts in the labor market were unemployed; by 1981, 30.1% or nearly 1 out of 3 were unable to find a job.

While the number of high school dropouts (age 16-21) in the labor force increased by 18.5% from 1965 to 1981, the number of those unemployed increased by 138.8%. The number of employed dropouts in this age group actually decreased by 2.6%.

Youth nationally are also recognizing that a high school diploma is a minimum requirement for future success in the labor market as demonstrated by the fact that only 15.8% of the civilian population (16-21) in 1981 were classified as High School dropouts compared with 17.1% in 1968.

Those who have failed to achieve a high school diploma, though, must not be forgotten. For us to ignore their plight today will have serious repercussions on their futures and the future of our society. Consider the following expenditures recommended for Fiscal Year 1982-83 in New York State. These are for State and local assistance programs to correct maladjustments in our society and to deal with social ills:

Welfare	$ 8.4	Billion
Unemployment	1.9	
Mental Health	1.1	
Corrections	.5	
Youth (corrections)	.2	
Substance Abuse, Criminal Justice, Alcoholism, Probation, Parole, and Crime Victims Compensation	.3	
	$12.4	Billion

Although this intervention program cannot eliminate all these costs, it can significantly reduce the numbers of persons at risk of needing many of the services represented by fostering the essential link between education and employment.

CONCLUSION

Through the last few years we in the employment and training community have developed a large base of knowledge about what will work and won't work to improve the chances of success for our nation's youth. Valuable lessons have been learned:

- Disadvantaged Youth do want to work, and will do so at minimum wage, entry level jobs;

- The private sector is willing to participate in job development efforts for this group;

- Employment programs can provide useful and productive work experiences; and
- Meaningful employment programs can complement schooling and provide at-risk youth with career objectives and confidence in their future.

The enactment of the Youth Incentive Employment Act (HR 5017) will have a positive impact on the lives of our youth and our society at large.

PREPARED STATEMENT OF AMERICAN FARM BUREAU FEDERATION

The American Farm Bureau Federation is the nation's largest general farm organization with a current membership of more than three million families in 48 states and Puerto Rico who are members of 2,762 County Farm Bureaus. Farm Bureau is a bi-partisan organization supported entirely by dues voluntarily paid each year by individual member families. Farm Bureau members include at least 75 percent of the commercial farming operations in the country and an even higher percentage of the 700,000 agricultural employers. Farm Bureau is thus one of the largest, if not the largest organization of employers in this country.

Hired farmworkers account for about 35 percent of the average annual employment on farms, with most farmwork still performed by farm owners and operators and members of their families. The number of hired farmworkers ranges from 2.5 to 2.8 million. That number has held steady for the last five years; but the total employment on farms has been going down due to increases in labor productivity. Thus, the percentage of total farmwork done by hired workers has been increasing and is expected to continue along that trend.

Based on 1979 data, the majority of hired farmworkers are employed on a casual (less than 25 days) or seasonal (25 to 149 days) basis. Almost three-fourths of them work less than 150 days, due in large measure to the fact that fruit and vegetable production and certain other commodities require large numbers of seasonal or temporary workers during peak periods of harvest. Many of the casual and seasonal workers are students who work only a few weeks a year.

According to the August 23, 1983, Farm Labor report of the U.S. Department of Agriculture, the average wage rate for all hired farmworkers was $4.12 per hour. For those paid on an hourly basis, the rate was $4.98, and those paid on a piece-rate basis $4.69. Approximately 42 percent of all hired farmworkers receive employment benefits other than wages. When hourly wages and benefits are taken together the effective wage costs are probably $6.50 per hour or more. The value of perquisites represents 15 percent of the total farm and ranch labor expenditures. In total, the cost of hired labor on farms represents one of the largest cost inputs in agricultural production, now approaching $12 billion annually.

Farm Bureau policy on the federal minimum wage is quite explicit:

> "We favor repeal of the federal minimum wage. We oppose further extension of the minimum wage law for agriculture and any attempt to index the minimum wage. We call upon the Congress to amend the present Fair Labor Standards Act to exempt minors from the minimum wage law or provide for a youth differential."

Accordingly, Farm Bureau favors enactment of H.R. 5017, although we would prefer that the bill go much further to either entirely exempt persons under 19 from the minimum wage requirement or take the federal government out of the business of setting a minimum wage. We are convinced that it is not only an unnecessary extension of the regulatory power of the central government, but is counterproductive to employers, employees and the economy as a whole. Minimum wage rates increase unemployment in rural areas and put U.S. farm products at a competitive disadvantage in the world market.

We fully understand the nature of the problem that prompts the introduction and consideration of this legislation. Not only is the country still suffering from an umemployment rate that is too high, but the unemployment rate among those under 19 and particularly among those who are black or hispanic is a national problem that needs sound economic policy attention by the Congress.

Additionally, the Congress needs to take into consideration the fact that young persons need to learn about work early in their lives. Young people are not born productive. They must be trained. Private employers contribute substantially to the productive training of rural and urban young people. We have not doubt that teenage idleness and boredom is a major factor in teenage delinquency and crime. Most young people want to work and need to work. Unnecessary regulatory barriers to such work experience should be removed.

There are two basic schools of thought as to what should be done about the problem. One school advocates greatly increased expenditures of federal and other public funds to generate make-work jobs in the public sector, or to increase federal expenditures, such as in the area of the public works that would create more jobs in the private sector. The other school, while not denying some need for increased expenditures for highways, bridges and other such public works, believes that the high unemployment rate can be reduced by reducing the regulatory restraints and economic disincentives for private employers to take the risks of hiring unskilled young people. Farm Bureau favors the latter school. With federal nondefense domestic spending out of control and threatening the continued growth of a healthy economy, it is not the time to think in terms of more spending in the public sector. Fundamentally, the public sector cannot "create" jobs. It can only shift jobs from one sector to another. Jobs can only be created by a growing noninflationary economy.

Farmers and ranchers are already employing many thousands of persons under the age of 19. They would employ many more if this bill is enacted. In many instances, farmers and ranchers are reluctant to employ teenagers because of the necessity to pay the full minimum wage for each hour worked. A large number of such teenagers are inexperienced and have not learned the basic skills involved in the harvest of crops and other jobs in agriculture. It often takes two to four weeks before such workers become proficient and productive on the job.

Unlike the jobs in most other industries, a large percentage of the seasonal workers in agriculture are paid on a piece-rate basis. While agricultural employers who hire more than 500 man days of labor during any quarter are required to pay at least the minimum wage, that is no real problem with experienced workers, since they will normally earn far more than the required minimum. If an agricultural employer is forced to pay the full minimum wage to an inexperienced worker, he will likely refrain from hiring such inexperienced workers as long as he has a choice. He will substitute machinery for labor wherever possible.

While this bill provides for a youth minimum wage of $2.50 or 75 percent of the applicable minimum wage, most of the young persons hired in agriculture would earn far more than that minimum and far more than the minimum for adults, particularly after being on the job for two to four weeks. This means that young workers who have work experience in agriculture would not have their wages reduced by the provisions of this bill.

This bill also deserves support for the careful way in which it has been drafted so as to protect against an adverse impact on adult workers. Because the employment period for the youth minimum wage is restricted to the period each year between May 1 and September 30, and because the language makes it clear that no employee's wages would be reduced due to the enactment of the bill, nor any adult be discharged to employ a lower-paid young person, the normal objections to this legislation have been rendered meaningless.

Fundamentally, Congress must recognize that when the price of any good or service is held artifically high in relation to the market we end up with a surplus. It has happened in dairy. In labor, it means high teenage unemployment and underutilization of the nation's most valuable resource—it's youth.

We urge the members of this Subcommittee to take action promptly to send H.R. 5017 to the floor of the House and that the full House act promptly to pass the bill.

PREPARED STATEMENT OF CAMP FIRE, INC., WASHINGTON OFFICE

Camp Fire is a not-for-profit national organization that was founded in 1910. Its purpose is to provide opportunities for youth to realize their full potential as responsible, self-directed individuals. Today, there are over 300 councils chartered by Camp Fire, serving 500,000 girls and boys in 35,000 urban, rural and suburban communities.

The philosophies and values of Camp Fire are as timely today as they were nearly a century ago, but the programs and priorities within Camp Fire have changed over the years, reflecting the changing world we live in. As social conditions have altered, Camp Fire has responded with programs designed to meet those needs.

Youth employment, for instance, is not a new problem and Camp Fire has a long history of involvement in programs that prepare youth to value work and develop skills needed in the workplace. In 1979–1981, the Camp Fire Youth Employment and Training program was funded through a grant from the U.S. Department of Labor. These funds were dispersed to eight individual councils within Camp Fire. Each of the programs funded under the DOL grant addressed the basic problems of unemployed youth nationwide, as well as the specific problems of area youth. These projects sought to serve youth most in need, i.e., economically disadvantaged youth, young parents, juvenile offenders, persons with limited English speaking ability, and handicapped youth.

Camp Fire is concerned with the lack of employment opportunities for young people, because there is strong evidence that those who suffer from unemployment and its effects as youth are most likely to be unemployed as adults. Work experience is an opportunity to develop a sense of self-worth, responsibility, and job skills. Work experience helps youth to become integrated into society, rather than alienated from society. Economic necessity, too, is a factor. Many young people are expected to support themselves and to help support their family.

Disadvantaged youth often encounter a number of barriers to employment. These young people may lack awareness of jobs and career options. They often lack experience and frequently lack basic educational competencies.

H.R. 5017, the Youth Incentive Employment Act is a comprehensive, multi-faceted approach to a multi-faceted problem. Where work is combined with education, there have been noticeable increases in post-program employment earnings. The linkage between education and work best prepares our young people to become productive members of the workforce.

Youth unemployment is a national concern. Coordinated, comprehensive programs are necessary, founded on the collaborative efforts of the voluntary, business, governmental, and education sectors. Camp Fire believes that enactment of the Youth Incentive Employment Act would be a very important step in this direction.

CHAMBER OF COMMERCE OF THE
UNITED STATES OF AMERICA,
Washington, DC, June 25, 1984.

Hon. AUGUSTUS F. HAWKINS,
Chairman, Subcommittee on Employment Opportunities, Education and Labor Committee, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Chamber of Commerce of the United States, on behalf of its nearly 200,000 business members, supports H.R. 5721, the Youth Employment Opportunity Wage Act of 1984.

The purpose of H.R. 5721, and its Senate companion bill, S. 2687, is to create significant numbers of new entry-level jobs for our unemployed teenagers during the summer months. As many as 400,000 jobs would be created by this legislation, a major step toward alleviating our teenage unemployment problem.

This legislation would permit employers to pay wages equal to 75 percent of the minimum wage to newly hired teenagers 19 years of age and younger to work between May 1 and September 30. It prohibits the discharge, transfer, or demotion of any current employee—adult or teenage. The legislation also provides for a September 1987 sunset, with a requirement for an evaluation report to Congress.

While the United States still faces a severe unemployment problem in general, our 19.6 percent teenage unemployment rate is three times the adult rate. The unemployment rate for black teenagers of 44.1 percent is at crisis proportions. In some cities, such as Detroit, minority youth unemployment exceeds 60 percent.

The need to provide job opportunities for youth is a critical problem which Congress has not addressed adequately to date. H.R. 5721 proposes a constructive solution which at least should be tried for the three-year trial period provided for in the bill.

Entry-level job opportunities for youths (1) provide job skills and training; (2) provide a stepping-stone to advancement; (3) promote maturity, self-reliance, and good work habits; (4) instill self-dignity and pride; and (5) lessen the need for public assistance.

Most importantly, these jobs provide the experience necessary to future productivity and career development. In fact, the National Bureau of Economic Research estimates that work experience for youths has a direct positive correlation to future wage-earning; teenage employment normally results in a 10–20 percent permanent increase in wages.

Currently, an employer has few incentives to hire a young person who may lack workplace skills, professional maturity, and experience.

A youth differential would establish an incentive for using young people in the work force. The advantage would be a savings of 85 cents an hour for each new youth hired. This wage savings per employee per summer (20 weeks) would add up to $680. For a small business, the savings may be significant enough to promote the hiring of an additional teenager or two.

Opponents claim the youth differential would cause adult job displacement. This argument fails to acknowledge that the adult worker is distinctive in assets and capabilities from the youth worker and that the average employer looks for different qualities from the adult worker (more reasoning, more dependability) than from the youth (more physical strength and endurance). For the most part, they do not compete for the same job.

Furthermore, the youth differential as proposed pertains only to new hires and would be in effect only from May through September.

More importantly, H.R. 5721 contains strong sanctions against employers who substitute for existing workers under the youth differential program. Employers who discharge, transfer, or demote workers for the purpose of employing eligible youth are subject to various legal remedies and sanctions, including fines up to $10,000, prison terms up to 6 months, and payment of back wages.

The youth differential benefits employers, employees, consumers and young people. Employers, particularly small businesses in the service and retail industries, could hire additional workers and offer more services. The full-time, year-round employee, who now often carries a heavier work load and more responsibilities as a result of reduced staffs, would benefit from additional help. Consumers might be afforded better service in cleaner and safer marketplaces. More importantly, more young people would be given the opportunity to work, would be told "yes" instead of "no" when they put in their job applications, and would learn job skills and disciplines.

The root of the problem is, of course, the minimum wage itself. Employers, particularly small businesses in the service industries, have been forced by higher labor costs to streamline operations, decrease services, cut operating hours, curtail expansion and, in some cases, close down.

For these reasons, I respectfully urge the adoption of H.R. 5725, the Youth Employment Opportunity Wage Act of 1984. Please include this letter as part of the hearings record.

Sincerely,

ALBERT D. BOURLAND,
Vice President, Congressional and Political Affairs.

NATIONAL GROCERS ASSOCIATION,
Reston, VA, July 30, 1984.

Hon. AUGUSTUS F. HAWKINS,
Chairman, Employment Opportunities Subcommittee, Rayburn House Office Building, Washington, DC.

DEAR MR. HAWKINS: The National Grocers Association on behalf of its over 1,600 independent retail grocery firms, 66 food wholesalers serving over 28,000 independent food stores, and 55 state and local food distribution associations, would like to express support for the "Youth Employment Opportunity Wage Act of 1984," H.R. 5721, as a measure which merits your attention this week as you consider youth employment legislation in the House Education and Labor Subcommittee on Employment Opportunities. The youth wage bill, as introduced by Representative Ron Packard, is a realistic attempt to provide employment opportunities for youths between 16 and 19 years of age during the summer months. N.G.A. believes this legislation permits valuable initial job experience and training during summer months which otherwise would not take place.

In 1981, the National Association of Retail Grocers of the United States (one of N.G.A.'s predecessor organizations) supported similar legislation following a survey of its membership. The survey of 550 retail grocery enterprises operating 2,555 food stores and employing over 60,000 employees disclosed that over 70 percent of the retail grocers had decreased teenage employment opportunities as a result of the 46 percent increase in the minimum wage in the prior 4 years. Many retailers reported that traditional teenage employment opportunities were eliminated.

H.R. 5721 offers employers an incentive to maintain and develop employment for teenagers 16 to 19 years of age. Currently, about 22 percent of white teens are unemployed, and the corresponding rate for black teenagers is almost 50 percent. Continuing and persistent high unemployment of America's youth denies them a vital private sector work experience. The advancement of our nation's productivity requires a commitment to providing teenagers the responsibilities and benefits of employment.

While federally-funded training and educational incentives, such as those outlined in alternative legislation, may improve youth employment opportunities, the private sector still offers our youth, particularly minority youth, a better hope for meaningful, long-term employment. It is with this realization that the National Conference of Black Mayors, as well as other business groups, have endorsed the Reagan Administration's proposal for a subminimum summer wage.

Enclosed is a statement supporting H.R. 5721, the "Youth Employment Opportunity Wage Act of 1984." If N.G.A. can provide you with any additional information or assistance, please contact us.

Sincerely,

THOMAS F. WENNING,
Executive Vice President and General Counsel.

Enclosure.

STATEMENT ON YOUTH EMPLOYMENT AND MINIMUM WAGE BY THE NATIONAL GROCERS ASSOCIATION

INTRODUCTION

Mr. Chairman and Committee members, the National Grocers Association (N.G.A.) is a national non-profit trade association representing 1,600 independent retail grocery firms, 63 retailer-owned cooperative warehouses which serve over 28,000 independent grocers, and 57 state and local food associations. N.G.A. members service consumers in every type of community—urban, rural, suburban and inner city—by operating supermarkets, small and medium size grocery stores, as well as warehouse and convenience stores.

The association wishes to commend the Chairman and this Subcommittee for considering youth employment opportunities and the minimum wage, and for providing N.G.A. with the opportunity to comment on ways to provide employment opportunities for young people during the summer months. The association's comments today will focus on the effect of the minimum wage on youth employment in the grocery business, as well as on the merits of current legislative proposals to provide an incentive for the food distribution industry to hire additional youth.

YOUTH EMPLOYMENT IN THE GROCERY BUSINESS UNDER THE MINIMUM WAGE

Since food retailers were first covered as enterprises under the Fair Labor Standards Act in 1961, grocers represented by N.G.A. have had a close and continuing interest in the impact of this law.

The retail grocery industry has traditionally been a large employer of teenagers for consumer services, including bagging, carrying out groceries, retrieving carts, etc. As the federal minimum wage increased 46 percent from 1977 through 1981, retail grocers had to reconsider whether to retain such employment opportunities. Despite a willingness and desire by retail grocers to train and employ teenagers, economic conditions decreased teenage employment opportunities in food retailing.

In 1981, the National Association of Retail Grocers of the United States (NARGUS) (one of N.G.A.'s predecessor organizations) undertook a survey of retail grocers to evaluate the impact of the minimum wage on consumers, employees, and retail grocers. Five hundred and fifty retail grocery enterprises operating 2,555 food stores responded to the survey. The retail grocers responding employed over 60,000 employees, approximately 52 percent were part-time and 48 percent were full-time. The final report was submitted to the Minimum Wage Study Commission. Over seventy percent of the retail grocers responding decreased the number of teenage employment opportunities.

Under present law, instead of paying the minimum hourly wage or decreasing teenage employment opportunities, retail grocers have the option of employing full-time students at 85 percent of the minimum wage. While there are approximately 179,000 grocery stores in the United States, the U.S. Department of Labor estimates that only about 3,000 food stores used the full-time student certificates in 1984, down from about 3,700 in 1981. This alternative is inadequate, ineffectual, and a bureaucratic nightmare for retail grocers.

The regulations on employing full-time students at 85 percent of the minimum wage require special certification. Any retail grocery employer, including single units and multi-stores, may employ no more than six full-time students at 85 percent of minimum wage without prior Department of Labor authorization. To employ more than six full-time students, applications must be submitted for each store and employment may not commence until approval from the Department of Labor has been received.

A limit of 10 percent of the total monthly hours of all employees is imposed for employers seeking to employ more than six full-time students, unless a higher percentage monthly allowance can be established by historical information. It is difficult for an establishment to have a sufficiently high monthly hour total for employees to meet the 10 percent limitation. For example, it would take 16,000 hours or approximately 100 full-time employees to allow employment of 10 full-time students for 40 hours per week during vacation periods.

The effect of these paperwork and regulatory burdens has been to eliminate the incentive for retail grocers to hire full-time students. As a result, retail grocers have curtailed employment opportunities for youth. If employment opportunities for teenagers are to be expanded Congress must act to eliminate the paperwork and red tape.

CURRENT PROSPECTS FOR TEENAGE EMPLOYMENT

Unemployment for teenagers is currently around 19 percent, with a black and other minority teenage unemployment rate around 50 percent. In March 1984 almost 500,000 black teenagers were listed as unemployed. Many of these young people are unemployed because they lack the skills and experience to earn the minimum wage and are unable to find jobs even in the summer months, when youth employment is at its peak. For example, in July 1983, only 54 percent of all white youth and 37 percent of minority youth were able to find jobs. Studies estimate that each year of work experience for a young individual is associated with a subsequent and permanent increase in wages of approximately 10 to 20 percent.

The Youth Employment Opportunity Wage Act of 1984, which has been introduced by Representative Ron Packard (R-CA), is a positive step toward creating summer job opportunities for teenagers in the retail food industry. The legislation would permit the employment of teenagers ages 16 to 19 at $2.50 an hour from May 1 through September 30. It would prohibit employers from firing current employees to hire teenagers. Employers would also be prohibited from lowering the wage rate below $3.35 for any youth who has been employed by the employer at any time 90 days prior to May 1 of each year. The entire program would expire in 1987, and the Labor Department would have to submit a report on the effects of a youth wage to Congress.

The basis of the youth opportunity wage is to provide entry level jobs for teenagers. After gaining some work experience, those teenagers will undoubtedly have the same opportunity for advancement as other employees. Hiring teenagers to replace experienced managers, clerks, stockers, and other employees in retail food stores does not make economic sense. However, providing a youth opportunity wage would enable retail grocers to establish and expand youth employment opportunities.

In addition, teenagers could perform tasks which greatly contribute to customer and community relations of a store, such as assisting elderly shoppers or women with small children. These tasks are often not cost effective under current wage rates and are often foregone by retailers in favor of more essential business functions. Stores that provide such shopper services not only retain more customers and enjoy greater visibility, but also create job opportunities for youth which are not feasible at the current wage rate. These young people would gain interpersonal and human resource skills in addition to a wage.

ANSWERS TO ARGUMENTS AGAINST THE SUBMINIMUM WAGE

Numerous arguments have been raised against creating a youth opportunity wage for teenagers. N.G.A. would like to address some of those arguments today.

First, that a youth differential will result in employers firing older workers and hiring teenagers. As the N.G.A. report indicates, increases in the minimum wage have decreased employment opportunities that have traditionally been available to teenagers in food retailing. In effect, the teenage job market in food retailing is shrinking or being eliminated. A youth opportunity wage will reverse this trend. The retail grocery members of N.G.A. are not going to hire a teenager at a low wage to replace a higher paid employee. The key to economic survival in the retail food industry is productivity. It makes no sense to fire a productive employee in a position of responsibility and hire an employee with little or no experience.

Besides, if this argument were true, employers today would be firing employees earning above the minimum wage by the thousands and replacing them with individuals at the minimum wage level. No study of the federal minimum wage of which N.G.A. is aware of has even given serious credence to this theory in practice. Certainly, the Congress has not been overcome with cries to take action. From an employee relations point of view an employer who engaged in such a practice would likely jeopardize employee morale, gain an unfavorable reputation, and have trouble attracting prospective employees with valuable skills and qualifications.

Another argument against the youth opportunity wage is that employers will fire teenagers and replace them with new teenagers at the youth opportunity wage level. As mentioned earlier, training of store personnel is an investment by the employer in the employee for the betterment of the business. It takes time and money to train new employees. Little, if any, savings would result from continually replacing employees. One of the best assets a retail grocer can have is a stable reliable workforce.

H.R. 5721 would subject an employer to servere penalties for engaging in a pattern or practice of substituting young workers earning the youth opportunity wage for older workers earning at least the minimum wage, or terminating young [illegible]ployees and employing other young employees in order to gain continual advan[illegible] of the youth opportunity wage. Employers would not only be subject to backp[illegible]alties, but also to fines of up to $2,500 for the first offense and up to $10,0[illegible] subsequent offenses. The penalties provided are a strong deterrent to empl[illegible]r abuse of the youth opportunity wage.

CONCLUSION

The youth opportunity wage offers employers an incentive to maintain and develop employment for youth. Continuing and persistent high unemployment of America's youth denies a vital private sector work experience. The advancement of our nation's productivity requires a commitment to provide as many teenagers as possible the responsibilities and benefits of employment. N.G.A. supports the youth opportunity wage and will work toward accomplishing the goal of expanding teenage employment. N.G.A. wishes to thank the Subcommittee for the opportunity to submit comments in support of the youth opportunity wage.

HEARINGS ON YOUTH EMPLOYMENT ACT

MONDAY, AUGUST 13, 1984

House of Representatives,
Committee on Education and Labor,
Subcommittee on Employment Opportunities,
Chicago, IL.

The subcommittee met, pursuant to call, at 9:37 a.m., in the auditorium, Center for Inner City Studies, Northeastern Illinois University, Chicago, IL, Hon. Charles A. Hayes presiding.

Members present: Representatives Hawkins and Hayes.

Staff present: Susan McGuire, staff director; Carole Schanzer, deputy staff director; and Beth Buehlmann, Republican senior legislative associate.

STATEMENT OF HON. AUGUSTUS F. HAWKINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA AND CHAIRMAN, SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

Mr. Hawkins. The House Subcommittee on Employment Opportunities is pleased to be in Chicago this morning, to continue our hearings on a most critical issue facing our Nation today, unemployment. Unemployment for youth remains a national disgrace. Despite a temporary drop in the unemployment rate in June to 17.6 percent, the overall unemployment rate for youth has changed little this year.

In fact, in July, the rate of unemployment for youth went back up to the previous rate of 18.3 percent. The rate of unemployment for youth currently stands over two times that of the overall unemployment rate. For black youth, the rate is six times the overall unemployment rate—42.4 percent.

For over 3 years now, the Reagan administration has pursued economic policies which have impacted negatively on working men, women, and youth. Additionally, this administration has inflicted devastating cuts on those Government programs specifically designed to assist these Americans in their time of need.

We are continually being told by the Reagan administration that the battle against unemployment has been won. The statistics show that this is not true. For this administration to say that a national unemployment rate of 7.5 percent and an overall unemployment rate of 18.3 percent for youth, are acceptable levels, is unconscionable.

Not surprisingly, this administration has proposed a subminimum wage to alleviate the unemployment problems of young people. Such an approach would not result in additional jobs, or target assistance to those in greatest need. Rather, it would benefit low wage businesses with windfall profits.

Earlier this year, I introduced H.R. 5017, the Youth Incentive Employment Act, to combat the problem of youth unemployment. The Youth Incentive Employment Act, contains the two components that are essential to successfully combating the youth unemployment problem. This act would target the funds to areas experiencing high rate of youth unemployment, and would provide jobs to economically disadvantaged youth who agree to stay in school, or return to school and work towards acquiring a high school diploma, or its equivalent.

We are here today to bring public awareness to the serious problem of unemployment facing our country and to consider legislative proposals to combat the high level of joblessness for all Americans.

Congressman Hayes has introduced H.R. 5814, the Income and Jobs Act, which would complement other existing initiatives by providing jobs and promoting a sustainable recovery.

I am pleased to be here today with Congressman Hayes, who is one of the most active and valued members of the subcommittee. The two of us are here to learn, firsthand, about Chicago's unemployment situation.

And at this time, I would like to recognize Congressman Hayes, for whatever comments he wishes to make and at the same time, because we are in Chicago, and because of his great contribution as a working member of the Committee on Employment Opportunities, it is my pleasure to turn the gavel over to him and to allow him this opportunity to act as chairman over the hearing today, and to question the witnesses.

Mr. Hayes.

Mr. HAYES. I recognize the pressure of time that some of our witnesses are under. My opening remarks are going to be quite brief.

STATEMENT OF HON. CHARLES A. HAYES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. HAYES. I would like to thank my distinguished colleague, Congressman Augustus F. Hawkins of California, who is now the acting chairman of the House of Representatives Education and Labor Committee, who next month will become its permanent chairman, and those of you who have so graciously accepted my invitation, to come here as witnesses, and testify before this committee. And those of you who came here, not to give testimony, but just to hear and support the two vital pieces of legislation which are now before our Congress:

H.R. 5814, the Income and Jobs Action Act of 1984, authored by myself and Congressman John Conyers, from the State of Michigan; and H.R. 5017, the Youth Incentive Employment Act, authored by Congressman Hawkins of California and Senator Edward M. Kennedy of Massachusetts.

I would also like to thank each of the witnesses who've agreed to testify here today, including our mayor, Harold Washington, and the ladies and gentlemen who are here in the audience, supportive of the mayor, and supportive of me as one of the participants as a member of the subcommittee.

By your presence, you have shown America that the people of the city of Chicago recognize the crisis of unemployment as the greatest single threat to our cities, our Nation, and our way of life. The fact that you represent such a broad cross section of our community attests to the realization among the citizens of this great city, that we are one people, and that we must have a new spirit of cooperation between government, civic, and religious organizations, academia, business, labor, and families in order to develop effective solutions to this pressing problem.

Most American people don't need hearings, seminars or discussions to familiarize them with the ravages of unemployment, and the disastrous effects of the Reagan administration's economic policies. The administration presently lists over 8 million Americans as unemployed.

But the true number is much higher. The AFL-CIO figure of 16 million is more accurate, but even this does not give a full and real picture of the many millions of broken homes, families and dreams, caused by the inability to find a decent job, or to plan a decent future.

[Prepared statement of Charles A. Hayes follows:]

PREPARED STATEMENT OF HON. CHARLES A. HAYES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

I would like to thank my distinguished colleague, Congressman Augustus F. Hawkins of California, acting chairman of the House of Representatives Education and Labor Committee, and My fellow members of the Subcommittee on Employment Opportunities, who have so graciously accepted my invitation to come to Chicago to hear testimony in support of two vital pieces of legislation which are now before Congress: H.R. 5814, the Jobs and Income Act of 1984, authored by myself and Congressman John Conyers, Jr. from the State of Michigan, and H.R. 5017. The Youth Incentive Employment Act, authored by Congressman Hawkins and Senator Edward M. Kennedy of Massachusetts.

I would also like to thank each of the witnesses who have agreed to testify today, including Mayor Harold Washington, and the ladies and gentlemen in the audience. By your presence you are showing America that the people of the City of Chicago recognize the crisis of unemployment as the greatest single threat to our cities, our nation and our way of life. The fact that you represent such a broad cross section of our community attests to the realization among the citizens of this great city that we are one people and that we must have a new spirit of cooperation between government, civic and religious organizations, academia, businesses, labor, and families in order to develop effective solutions to this pressing problem.

Most of the American people don't need hearings, seminars or discussions to familiarize them with the ravages of unemployment and the disastrous effects of the Reagan Administrations economic policies. The Administration presently lists over 8 million Americans as unemployed, but the true number is much higher. The AFL-CIO figure of 16 million is more accurate, but even this does not give a real picture of the many millions of broken homes, families and dreams caused by the inability to find decent jobs or to plan decent futures.

Since President Reagan has been in office over one-third of the people of our country have been touched by the hopelessness of unemployment and the insecurity of not knowing how long their jobs will last.

Contrary to what the President and his advisors say, there can be no genuine, sustainable recovery of the American economy as long as the primary resources of our nation are directed toward the military establishment and the continuation of its Rolls-Royce arms race, rather than toward strengthening the purchasing power of the American citizen.

The basic theory of democracy is that the legislative assembly should be an open forum for voice of the people. It is in this spirit that the Income and Jobs Action Act was formulated. Its primary thrust did not come from legislative technicians, but directly from the concerns of the unemployed who provided the impetus for its introduction to Congress.

It is my sincerest hope that through legislative initiatives and hearings like this, as well as through our activities, the American people will move the President, Congress and the Senate to commit themselves to the goal of full and honorable employment for every member of our society who wants a job, to providing decent incomes for those who cannot work, and to providing each citizen with the proper tools to complete in today's job market.

In this noble effort I am following the commitment to the American people expressed in President Franklin D. Roosevelt's Economic Bill of Rights, the ideas of President John F. Kennedy, and the landmark Equal Opportunity and Full Employment Act of 1974, authored by Chairman Hawkins.

Once again, I would like to thank you all for coming and for contributing, hopefully, to the success of this effort.

Mr. **Hayes.** I would like to call upon the first witness before us today, Mayor Harold Washington of the city of Chicago. [Applause.]

STATEMENT OF HON. HAROLD WASHINGTON, MAYOR OF THE CITY OF CHICAGO

Mr. **Washington.** Thank you, very much, Congressman Hayes, and thank you Chairman Hawkins. Thank you both for bringing this committee here to Chicago to come to the heartland of the economic vitality of this city and also to the heartland of unfortunately some serious unemployment problems which we harbor in this city. I want to welcome you and your wonderful staff that I've had occasion to work with in the past—first rate staff, excellent group of people—who are concerned about the betterment of this country.

I must confess to you, Chairman Hawkins, I feel somewhat awkward on this side of the table; I've had the pleasure over the years to have served with you and sat beside you on many other occasions in which you were dealing with the serious question of unemployment. It was not my good fortune to work with you on the Humphrey-Hawkins Full Employment Act. Suffice it to say I am sorry I didn't. I was a scholar of it; I was supporter of it long before I came to Congress and I enjoyed the year or 2, 3 years rather, that I had to work with you and the Congress.

I am pleased to be here this morning and I'm honored that you have asked me to testify, because there is no more important and pressing issue facing us today than unemployment.

Mr. **Hayes.** Mr. Mayor, if you would, could you talk a little more into the mike, I think it might carry better.

Mr. **Washington.** Which one is it, that one? That one, oh, glory. I just put out some of my best stuff, too.

Seriously, this is a very important issue. There are a battery of witnesses today who understand this city thoroughly and love it, and they'll have something very cogent and very serious to tell you. Just a few of those witnesses, of course, will be Monsignor Egan, Reverend Thurston, and Jim Compton, head of our Chicago Urban League. And I'm certain that the story they've prepared for you can be documented throughout this country, but perhaps will be held within the sharpest relief here within our great city.

This problem of unemployment is particularly true in our cities, because of the Nation's economic health is predicated upon the success of cities both large and small. High average unemployment and record unemployment in many cities sap local, State and Federal treasuries. It weakens the social fabric itself.

Our goal must be the creation of more jobs for everyone who wants to work. Only during the past year, because of unemployment and its attendant social disorganization ills, we were forced in this city to raise our stipend for the hungry from half a million dollars to a sum of $5 million. The city cannot afford that, and I've made numerous treks to Congress, as you know, and testified before various committees, in an attempt to bring some sanity into the national picture, so they can recognize the problem.

Only a few days ago, through the instrument of some fine Members of Congress, among them Senator Dixon in the Senate, Congressman Yates in the House, you were able through the large effort, to double the stipend that Chicago was able to give this year, from a meager $60 million to $120 million. This is woefully inadequate and totally unnecessary if the Federal Government and this administration had addressed itself to this long-standing problem of unemployment.

Doing so, we must help youth find employment and educational opportunities, so they may enjoy productive and successful lives. The present reality is far from our goals.

National unemployment stands at 8 percent, they say, and is rising. It means that there are at least 9 million unemployed, documented that is, according to official Federal statistics. But you, Congressman Hayes, have given perhaps a truer picture in the area of 16 million people who are out of work.

This number in itself is alarming but it actually masks the real illness of the patient. There's another 1.5 percent of all workers who are so discouraged by chronic unemployment that they have given up looking for a job. Those who have fallen out of the statistical basket are not counted as unemployed, even though they are most desperate for work.

At least 6 million more Americans are underemployed; they subsist on part time work when they need full time jobs to survive. This army of poverty, we must call it, does not include the additional battalions of chronically unemployed to which you've alluded. Desperate young people and hungry adults who would do anything, in some cases, for work. This is not only a tragedy that they're unemployed, but it brings in additional social disorganizations, in terms of increased crime, in terms of debilitated family structure, and in terms of the drain on local municipalities that are trying to deal with the problem.

The urban unemployment crisis can be seen closer in our city. This is not to denigrate Chicago; it's simply that, as powerful as we are, we do have this longstanding and tenuous problem to which the present administration has not addressed itself.

Figures show unemployment in Chicago at 17 percent with 222,400 people looking for work. Among blacks, 27 percent of willing workers are without jobs. That's 136,000 people. Among Hispanics, the figure is about 14 percent, and going up. And among youth 16 to 19 years old, 41 percent are without jobs.

Since 1980, the city's labor force has declined by 68,000, and the number of employed has decreased by 133,000. The increased unemployment is 65,400 or nearly 42 percent.

And while the number of blacks participating in the labor force has increased, the number of blacks actually working has dropped.

Youth participation in the labor force has dipped dramatically, especially in minority communities. The unemployed figures are reflected in welfare. From 1970 to 1980, the number of residents receiving welfare benefits rose from 200,000 to a total of half a million or 17 percent of our total population; 64.2 percent of the nearest South Side residents are receiving welfare benefits of some sort.

The figures are nearly as high as in the Oakland neighborhood.

The programs offered by H.R. 5017, the Youth Incentive Employment Act, and by H.R. 5814, the Income and Jobs Action Act of 1984, which you championed, are precisely what are necessary to solve the grave problems of chronic and institutionalized unemployment.

I understand, Mr. Chairman, that there's a typographical error in my copy of the Income and Jobs Act of 1984, and that line's on page 2, and it should be deleted.

I feel that every American should support the proposal offered by Representative Hayes of Illinois and Representative Conyers of Michigan, because it guarantees every adult American who is able and willing to earn a living through paid work, the right to a decent job at decent wages, or the right to a moderate level of income until such a job can be created.

I would like to suggest that with respect to full employment, the Federal Government should help create at least 1 million new jobs in the next 24 months through assistance to our cities for infrastructure maintenance. This is only through the Federal initiatives; it does not deal with the question of private employment.

This effort, which would largely pay for itself through new tax income and decreased unemployment and welfare payments, would generate an additional 1.5 million jobs directly in the private sector. The new jobs would cut the Federal deficit by billions of dollars and generate new dollars for other permanent answers to structural unemployment.

Infrastructure development is a crying, screaming need. It is estimated that, if we were to rebuild the infrastructure of this country, it would cost tens of trillions of dollars. Obviously, private industry is not going to invest its money in there, but it must be done. Our streets are caving in around us. Some are sinking into the earth, perhaps never to be seen again.

Sewers are depleted; curbs are going; the bridges are in serious, serious state of disrepair. All because the revenue which is necessary to do that job is no longer available to the cities and to the States. And at the same time, by restructuring our infrastructure, we would put these millions of people to work.

This important short-term goal of 1 million new jobs would make its impact felt in parts of our cities where unemployment is high. And it would make our cities more efficient, more secure, and more attractive places to live. I realize that this committee has an array of important witnesses to testify this morning, so with your permission, Mr. Chairman, I'd like to enter the text of my plan for Federal Urban Partnership to renew our cities into the record, and briefly address myself to the question of the subminimum wage which Chairman Hawkins touched upon.

The question of the subminimum wage is especially important to the provision of H.R. 5017, because it has been suggested that a simple, cheap alternative to Federal assistance is unemployed youth. The facts, however, cannot support the idea of a subminimum wage. Instead, they argue strongly against any such scheme. As the Congressmen know, the Minimum Wage Study Commission was established by a House vote in 1977.

It published its summarized findings and recommendations in May 1981. In 1982, six additional volumes of research papers entitled, "Reports of the Minimum Wage Study Commission" were made available. The bottom line of that study and of other academic research, is that the minimum wage itself has only modest positive or negative effects on the economy. This is one of the reasons why the Commission rejected the youth differential, by a vote of 6 to 1. A subminimum wage would probably induce a small increase in youth employment, but it would also increase teenage labor force participation rates, leaving the youth unemployment rate virtually unaltered.

The danger, of course, is that a subminimum wage would displace other, older workers, and especially older minority members of the labor force. It would tend to substitute young workers for adult wage low wage workers.

In short, you would usher in a situation in which the son would take the father's job for a much less wage. Even conservative economists don't dispute the point. In fact, the American Enterprise Institute, a conservative think tank, said that a subminimum wage may have negative employment consequences for workers not subject to the differential.

Furthermore, those who find that the minimum wage is harmful to youth employment, also find this to be especially true for black youth. Many employers, as I've said, will not hire minority youth at any wage.

Bernard Anderson, an economist and director of the Division of Social Sciences of the Rockefeller Foundation, has written about the effect of the subminimum wage in Baltimore and in Detroit. Statistics derived from the Youth Incentive Employment Entitlement Program supported by the U.S. Department of Labor, showed that only 1 of 10 firms eligible to employ teenagers, at 25 percent of the minimum wage, and only 1 in 20 eligible to hire them at 50 percent of the minimum, actually hired local income youth.

So it's a false incentive which statistics simply do not support. Only about 18 percent of the firms eligible for 100 percent wage subsidy hired a low-income teenager. Let me repeat, only 18 percent of the firms eligible for 100 percent wage subsidy hired low-income teenagers, so the problem and the fault lies elsewhere, and it's a collage and a diversion to give the American people the impression that by instituting a subminimum wage, you will hocus pocus dominocus automatically put hundreds of thousands of young people to work.

It simply won't happen. And only 10 percent of the employers in a University of Utah study said that lower wages in general would encourage them to hire more people. The conclusion is inescapable. That increasing the number of jobs with a future will have a greater impact on youth joblessness than increasing the number of dead-end jobs at subminimum wages.

The Youth Incentive Employment Act fits the criteria of what kind of program produces jobs, because it puts unemployed youth in a context of future success instead of failure. There is practical wisdom as well as sound economic policy in the act's requirement that participating youth must learn as well as work. That program opens doors. It does not close off the future.

The act authorizes the appropriation of a meager $2 billion for fiscal year 1985. And in terms of the magnitude of the problem, $2 billion is meager. I don't criticize you for that; I simply understand the problems attendant to trying to move such a substantial piece of legislation through the Congress.

The level of funding would serve approximately 1 million eligible youth, 1 million eligible youth. This is a good step in the right direction, and I hope the Congress makes an affirmative vote for it as soon as possible. H.R. 5814 stands as a companion bill, and is one of a notable local economist has noted the spirit of Franklin D. Roosevelt comes alive in that bill.

I urge the committee to support this act because every adult American has a right to earn a living. Jobs are America's business. You cannot rely upon the municipalities, or necessarily exclusively the private sector to put people back to work. Jobs make everybody prosperous. They keep our society humane and they make America realize its promise equally and fairly to all of our citizens. Jobs are the issue in Chicago. Jobs are the issue throughout the United States.

When I attended the Conference of Mayors 2 months ago, that was the transcendent issue being discussed by mayors all over the country. That, coupled with urban revitalization, which works concomitantly with job programs, is the way of the future.

I want to thank you for this opportunity to express very briefly my support of the two outstanding bills before your committee, Congressman Hayes and Congressman Hawkins. I commend you for your work and I commend you for bringing this issue to the American people.

Any time would have been a good time, but I think juxtaposed with the present President's election, I think your work has to be described as in the area of pure yeomanship. We have to dramatize to the American people, as never before, that the issue of unemployment and under employment of such gnawing, tenuous, debilitating yields, and unless we address ourselves to them, this country is in serious trouble.

No better opportunity than now to inject this issue because, if the American people ever pay attention to an election, it's a presidential election. I am bipartisan on the subject. I would hope that both candidates would be forced into a position to put the debate on this beyond debate by agreeing forthwith to at least start, by first supporting your two initiatives and then to move briskly to the area of developing the infrastructure in this country, and finally to get about the business of putting people to work.

That should not even be a debatable issue. If nothing comes out of this Presidential campaign but that, and there have been many Presidential campaigns where nothing came out of it, it would be a glorious, glorious future and I think they can trace the motivation of it and the launching of it to this committee coming to Chicago to hear our various witnesses.

Thank you very much, Mr. Chairman.

[Prepared statement of Mayor Washington follows:]

PREPARED STATEMENT OF HAROLD WASHINGTON, MAYOR, CITY OF CHICAGO

Congressman Hawkins, Congressman Hayes; I am pleased to welcome the members and staff of this subcommittee to Chicago this morning. I am honored that you have asked me to testify because there is no more important and pressing, issue facing us today than unemployment.

This is particularly true in our cities, because the Nation's economic health is predicated upon the success of cities large and small. High average unemployment and record unemployment in many cities SAP local, State and Federal Treasuries. It weakens the social fabric itself. Our goal must be the creation of more jobs for everyone who wants to work. In doing so we must help youth find employment and eduational opportunities so they may enjoy productive and successful lives.

The present reality is far from our goals. National unemployment stands at 8 percent and it is rising. It means that there are at least nine million unemployed according to official Federal statistics. This number, in itself alarming, actually masks the real illness of the patient. There is another 1.5 percent of all workers who are so discouraged by chronic unemployment that they have given up looking for a job. Those who have fallen out of the statistical basket are not counted as unemployed even though they are the most desperate for work. At least six million more Americans are underemployed. They subsist on part-time work when they need full time jobs to survive.

This army of proverty does not include the additional battalions of the chronically unemployed . . . desperate young people and hungry adults would to anything for work.

The urban unemployment crisis can be seen close up in Chicago.

Figures show unemployment in Chicago at 17 percent, with 222,400 people looking for work. Among blacks, 27 percent of willing workers are without jobs. That's 136,000 people. Among Hispanics, the figure is about 14 percent. And among youth 16 to 19 years old, 41 percent are without jobs.

Since 1980, the city's labor force has declined by 68,000 and the number of employed has decreased by 133,000. The increase in unemployed is 65,400, or nearly 42 percent. And while the number of blacks participating in the labor force has increased, the number of blacks actually working has dropped. Youth participation in the labor force has dipped dramatically, especially in minority communities.

The unemployment figures are reflected in welfare. From 1970 to 1980, the number of residents receiving welfare benefits rose from 200,000 to a total of half a million, or 17 percent of our total population. 64.2 percent of the near South Side residents are receiving welfare benefits of some sort. The figures is nearly as high in the Oakland neighborhood.

The answers offered by H.R. 5017, the Youth Incentive Employment Act, and by H.R. 5814, the Income and Jobs Action Act of 1984, which you championed, are precisely what are necessary to solve the grave problems of chronic and institutionalized unemployment.

(I understand, Mr. Chairman, that a typographic error appears in my copy of the income and jobs action act of 1984 . . . That line two of page three should be deleted.)

I feel that every American should support this act offered by Representative Hayes and Representative John Conyers of Michigan because it guarantees every adult American who is able and willing to earn a living through paid work the right to a decent job at decent wages, or the right to a moderate level of income until such a job can be created.

I would like to suggest that on the way to full employment, the Federal Government should help create at least one million new jobs in the next 24 months through assistance to our cities for infrastructure maintenance. Ths effort, which would largely pay for itself through new tax income and decreased unemployment and welfare payments, would generate an additional 1.5 million jobs directly in the private sector. The new jobs would cut the Federal deficit by billions of dollars and generate new dollars for other permanent answers to structural unemployment.

This important short-term goal of a million new jobs would make its impact felt in the parts of our cities where unemployment is the highest, and it would make our cities more efficient, more secure, more attractive places to live.

I realize that this committee has an array of witnesses to hear this morning, so with your permission, Mr. Chairman, I'd like to enter the text of my plans for a Federal/urban partnership to renew our cities into the record, and briefly address the questions of the subminimum wage.

The question of the subminimum wage is of special importance to the provision of H.R. 5017, because it has been suggested as a simple, cheap alternative to Federal assistance to unemployed youth.

The facts, however, cannot support the idea of a subminimum wage. Instead, they argue against it.

As the Congressmen know, the Minimum Wage Study Commission was established by a House vote in 1977. It published its summarized findings and recommendations in May of 1981. In 1982, six additional volumes of research papers entitled "Report of the Minimum Wage Study Commission" were made available.

The bottom line of that study and of other academic research is that the minimum wage itself has only modest positive or negative effects on the economy. This is one of the reasons why the Commission rejected the youth differential by a vote of six to one.

A subminimum wage would probably induce a small increase in youth employment, but it would also increase teenage labor force participation rates, leaving the youth unemployment rate virtually unaltered. The danger is that a subminimum wage would displace other, older workers, and especially older minority members of the labor force. It would tend to substitute young workers for adult low-wage workers.

Even conservative economists don't dispute the point. In fact, the American Enterprise Institute, a conservative think-tank said that a subminimum wage "may have negative employment consequences for workers not subject to the differential . . . "

Furthermore, those who find that the minimum wage is harmful to youth employment also find this to be especially true for black youth. Many employers as I've said will not hire minority youth at any wage.

Bernard Anderson, an economist and director of the division of social sciences of the Rockefeller Foundation, has written about the effect of the subminimum wage in Baltimore and Detroit.

Statistics derived from the youth incentive employment entitlement program supported by the U.S. Department of Labor showed that only 1 in 10 firms eligible to employ teenagers at 25 percent of the minimum wage—and only 1 in 20 eligible to hire them at 50 percent of the minimum—actually hired low-income youth. Only about 18 percent of the firms eligible for a 100 percent wage subsidy hired a low income teenager.

And only 10 percent of employers in a University of Utah study said that lower wages in general would encourage them to hire more people.

The conclusion is inescapable, that increasing the number of jobs with a future will have a greater impact on youth joblessness than increasing the number of dead-end jobs at subminimum wages.

The Youth Incentive Employment Act fits the criteria of what kind of program produces job, because it puts unemployed youth in a context of future success instead of failure. There is practical wisdom as well as sound economic policy in the act's requirements that participating youths must learn as well as work. The program opens doors. It does not close off the future.

The act authorizes the appropriation of $2 billion for fiscal year 1985. The level of funding would serve approximately 1 million eligible youth. This is a good step in the right direction, and I hope that Congress makes an affirmative vote for it as soon as possible.

H.R. 5814 stands as a companion bill, and as one of our notable local columnists has noted, the spirit of Franklin D. Roosevelt comes alive in it. I urge the committee to support this act because every adult American has a right to earn a living.

Jobs are America's business. They make everybody prosperous. They make our society humane, and they make America realize its promise equally and fairly to all of our citizens. Jobs are the issue in Chicago. They are the most important social issue of our time.

Thank you for this opportunity to express my support of two outstanding bills before this committee.

Mr. HAYES. Mr. Mayor, on behalf of our subcommittee, I want to thank you for sharing with us your time this morning. We're grateful that you were able to fit in your crowded schedule, the valuable testimony which you've just presented. You may rest assured that your entire statement with the corrections that you suggested, will be in the records of this committee.

We thank you again for your support. We will keep in mind the kind of problems that face not only the city of Chicago, but other urban communities of this great country of ours.

Thanks again. [Applause.]

Mr. WASHINGTON. In conclusion, Mr. Chairman, let me simply say that I approached the Chair with some degree of trepidation. I have observed Congressman Gus Hawkins really interrogating the witnesses; he can be scathing; he can be brutal; he can be a singular purpose on the question of unemployment in this country. Thank you for letting me get away.

Mr. HAWKINS. Mr. Chairman, your mayor has caused me to comment on his statement. I did not really intend to do so because of time. However, may I indicate to him, and also to the audience, that I am in perfect agreement with the comments that he has made. Those comments come from a most distinguished mayor of one of the great cities of America. I think that gives great support to what you and I are attempting to do in sponsoring this legislation.

I think that he certainly shows that his early training on this subcommittee, when he was in the U.S. Congress, has paid off. We certainly recognize, as he has said, that many of the local problems are not his problems. They are problems that we have imposed on him. We have imposed on him because we have had economic policies that have created unemployment; we have had economic policies that have raised interest rates and have deprived individuals of the opportunity to pay taxes, local taxes, and so on.

The list is indefinite. How can I say in a friendly fashion that I hope that through the cooperation of this committee, and your local efforts, that we can face the future with greater confidence and that at least, while we may have some friction, both at the Federal and local levels, that we can believe with Frederick Douglass, that where there is no friction, no progress is made.

So let's go ahead as we have started, and you can always rest assured that this committee is going to be in there backing you up. Thank you.

Mr. WASHINGTON. Thanks, very much.

Mr. HAYES. In the interests of time, the witnesses are going to be presented and received by the committee in patterns of two. The next witnesses will be in a panel consisting of Msgr. John J. Egan, director of Human Relations and Ecumenism, Archdiocese of Chicago; and Rev. Stephen J. Thurston, pastor of the New Covenant Missionary Baptist Church. If they would come forward.

STATEMENT OF MSGR. JOHN J. EGAN, DIRECTOR, OFFICE OF HUMAN RELATIONS AND ECUMENISM FOR THE ARCHDIOCESE OF CHICAGO.

Monsignor EGAN. Thank you Congressman Hayes and Congressman Hawkins. My name is Msgr. John J. Egan, and I'm the director of the Office of Human Relations and Ecumenism for the Archdiocese of Chicago.

It is an honor to appear before this subcommittee on questions which should be of vital interest to every American.

I come in support of the two bills which occupy our attention today. The reasons for my support derive from my personal experience as a pastor of a church in what is known as one of the most economically disadvantaged neighborhoods in the city of Chicago, and therefore in the entire Nation.

Also, my present work brings me into all the neighborhoods of Chicago: poor, middle class, and wealthy. I've spoken to groups representing all races, creeds, and economic levels in our society. As I appear before you today, I am frightened by what I have found, by what has been told to me, by what my eyes have seen, during the past year.

I am afraid for the welfare of the some 600,000 persons in Chicago, who are living below the federally established poverty level. I am afraid for the young men and women standing on street corners filling their time in aimless recreation, engaging in antisocial behavior, facing a life of continuous hopelessness.

I am afraid for the young couples who are in love and wish to establish a family and make a contribution to society but can find no work to assure their stability, their happiness and their future. I am afraid for the city of Chicago, a city of great nobility with a most distinguished past, and with its hope for the future which are fast fading with the infrastructure, the streets, bridges, parks, sewers, housing are deteriorating at a rapid pace, while willing and strong hands and minds are ready to work with pride and skill and there's nobody to hire them.

I'm afraid for our city and Nation because there is a growing acceptance which says that we are willing to tolerate a large body of our citizens, young and middleaged, as an underclass for whom there will never be any work, any meaningful future, any hope of success, any stability in their lives.

Can we, who are blessed with work which we feel makes a difference, with a life that makes it worthwhile to get up each morning, with a future to look forward to, with some satisfaction that we have made a contribution to our Nation and to the world—can we so blessed tolerate such a condition, or such a mentality.

This is something new for us as Americans, who prided ourselves through two centuries and more, who believe that this was the blessed land of opportunity for all of our citizens. The oppressed of all lands today still look to our country for leadership in caring for all of our people, for freedom to learn, to work, to create, to become our own best selves if only we be given the opportunity.

I am old enough to have trudged the streets of Chicago looking for work to pay for my education during the Great Depression. There was no work, and I still remember well the discouragement and the dependency that was mine because I felt unwanted and useless.

Unemployment, the absence of meaningful work, whether temporary or permanent, eats at a person's soul, creates all kinds of psychological problems, rips from the heart of a person any desire for achievement and destroys self-worth and esteem.

I owe it to myself, to my own health, to my privilege as a citizen of this country to say: "Hell no, we shall not tolerate this condition any longer."

But what to do?

First, let me state two principles which must undergird what you are doing today and why you are doing it. I take these thoughts from that revered person, Pope John Paul II.

In his letter to the world on human work, in September 1981, he said:

> Work is a good thing for men, a good thing for his humanity, because through work, a person not only transforms nature, adapting it to his own needs, but also achieves fulfillment as a human being, and indeed, in a sense, becomes more a human being. Without work, a person stands to damage and lose his noble dignity.

Second, since there's so much campaign rhetoric during this election year about the family, let us see what the Pope had to say about work and the family:

> Work constitutes a foundation for the formation of family life which is a natural right and something that a person is called to. In a way, work is a condition for making it possible to found a family, since the family requires the means of subsistence which a person normally gains through work. Work and industriousness also influence the whole process of education in the family for the very reason that everyone becomes a human being through, among other things, work, and becoming a human being is precisely the main purpose of the whole process of education.

Finally, "While work enhances the dignity of the person and makes it possible to found the community of the family, the third value of work concerns the great society to which a person belongs."

We are proud to be Americans, but it is paramount that we also realize that the value of work concerns the great society to which we belong on the basis of particular cultural and historical links. Never forget that work serves to add to the heritage of the whole human family, of all the people living in the world.

So you have two bills before you to recommend to the elected representatives of the people—representatives of all the people, including the known 8½ million people who cannot find work today.

Let me just say this to you: I have studied these bills both of them. They are well crafted to help alleviate both the lack of education and joblessness among our youth, many of whom have said to me with some logic, "Father, why should I break my backside in school, when there is no job when I get out?"

H.R. 5814 will aid our economic recovery among the most needy by creating and developing a more adequate jobs program.

I might argue that neither of these bills go far enough, but you are doing what can be done in the face of an administration which places more trust in weapons than in people; more belief in the rich than in the poor; more fear in hostile forces outside our country than in the cruel enemy within our land—a favored land which now tolerates massive unemployment, homelessness, hunger, a polluted environment, a decaying infrastructure, a less-than-adequate educational system.

Don't talk to me about our crowded prisons, our street crime, our drinking and drug problems, our school dropouts, our single parent families, our battered wives, all, indeed, serious and deplorable social problems. Don't talk to me about that unless you are also planning on working to solve the unemployment among our youth, so that their spirit is not eroded, their bodies are not wasted, and their future made hopeless.

Let's quit kidding ourselves; there is no safety net, there is no trickle-down; our youth are being crucified, to use William Jennings Bryan's phrase, on a cross of gold and useless weapons.

These bills are a start. They must be enacted by men and women who believe in our people, our country and our future. They must be passed to give some glimmer of hope to our youth and unemployed before it is too late and all of our dreams and hopes for a secure and dynamic society evaporate.

These bills are creative and bold. They are late in coming. They must be passed for the sake of our poor, for the sake of our Nation and its future. I support them.

Mr. Congressmen, thank you very much.

[Prepared statement of Monsignor Egan follows:]

PREPARED STATEMENT OF MSGR. JOHN J. EGAN, DIRECTOR, OFFICE OF HUMAN RELATIONS AND ECUMENISM, ARCHDIOCESE OF CHICAGO

Mr. name is Msgr. John J. Egan. I am the Director of the Office of Human Relations and Ecumenism for the Archdiocese of Chicago. It is an honor to appear before this Subcommittee on questions which should be of vital interest to every American.

I come in support of the two bills which occupy our attention today.

The reasons for my support derive from my personal experience as a Pastor of a Church in what is known as one of the most economically disadvantaged neighborhoods in the City of Chicago, and therefore in the entire nation. Also, my present work brings me into all the neighborhoods of Chicago—poor, middle class, and wealthy. I have spoken to groups representing all races, creeds, and economic levels in our society. As I appear before you today, I am frightened by what I have found—by what has been told to me—by what my eyes have seen during the past year.

I am afraid for the welfare of the some 600,000 persons who are living below the federally established poverty level.

I am afraid for the young men and women standing on street corners, filling their time in aimless recreation, engaging in anti-social behavior, facing a life of continued hopelessness.

I am afraid for the young couple who are in love and wish to establish a family and make a contribution to society, but can find no work to assure their stability, their peace, their happiness, their future.

I am afraid for the City of Chicago, a city of great nobility, with a most distinguished past, and with its hopes for the future which are fast fading, where the infra-structure—its streets, bridges, parks, sewers, housing, are deteriorating at a rapid pace while willing and strong hands and minds are ready to work with pride and skill, and there is nobody to hire them.

I am afraid for our city and nation because there is a growing acceptance which says that we are willing to tolerate a large body of our citizens—young and middle-aged—as an underclass, for whom there never will be any work, any meaningful future, any hope of success, any stability in their lives.

Can we, who are blessed with work which we feel makes a difference, with a life that makes it worthwhile to get up each morning, with a future to look forward to, with some satisfaction that we have made a contribution to our nation and world—can we so blessed tolerate such a condition, such a mentality?

This is something new for us as Americans, who prided ourselves through two centuries and more, who believed this was the blessed land of opportunity for all of our citizens.

The oppressed of all lands today still look to our country for leadership in caring for all of our people, for freedom to learn, to work, to create, to become our own best selves if only we be given the opportunity.

I am old enough to have trudged the streets of Chicago looking for work to pay for my education during the Great Depression. There was no work, and I still remember well the discouragement and despondency that was mine because I felt unwanted and useless.

Unemployment, the absence of meaningful work, whether temporary or permanent, eats at a person's soul, creates all kinds of psychological problems, rips from the heart of a person any desire for achievement, and destroys self-worth and esteem.

I owe it to myself, to my own health, to my privilege as a citizen of this great country to say: "Hell no, we shall not tolerate this condition any longer."

But what to do?

First, let me state two principles which must undergird what you are doing today and why you are doing it.

I take these thoughts from that revered person, Pope John Paul II. In his letter to the world on human work in September of 1981, he stated: "Work is a good thing for man—a good thing for his humanity—because through work, a person not only transforms nature, adapting it to his own needs, but also achieves fulfillment as a human being, and indeed, in a sense becomes 'more a human being.' "

Without work a person stands to damage and lose his noble dignity.

Secondly, since there is so much campaign rhetoric during this election year about the family, let us see what the Pope had to say about work and the family.

"Work constitutes a foundation for the formation of family life which is a natural right and something that a person is called to . . . In a way, work is a condition for making it possible to found a family, since the family requires the means of subsistence which a person normally gains through work. Work and industriousness also influence the whole process of education in the family for the very reason that everyone 'becomes a human being' through, among other things, work, and becoming a human being is precisely the man purpose of whole process of education."

Finally, from the Pope: "While work enhances the dignity of the person and makes is possible to found the community of the family, the third value of work concerns the great society to which a person belongs."

We all are proud to be Americans, but it is paramount that we also realize that the value of work "concerns the great society to which we belong on the basis of particular cultural and historical links." Never forget that "work serves to add to the heritage of the whole human family, of all the people living in the world."

So you have two Bills before you to recommend to the elected representatives of the people—representatives of all the people, including the known 8½ million people who cannot find work today

Let me just say this to you I have stuided these Bills—both of them. They are well crafted to help alleviate both lack of education and joblessness among our youth—many of whom have said to me, with some logic, "Father, why should I break my backside in school when there is no job when I get out"—and the excellent Bill (HR 5814) which will aid our economic recovery among the most needy by creating and developing a more adequate jobs program.

I might argue that neither of these Bills goes far enough—but you are doing what can be done in the face of an Administration which places more trust in weapons then in people, more belief in the rich than in the poor, more fear in hostile forces outside our country than in the cruel enemy within our land—a favored land which now tolerates massive unemployment, homelessness, hunger, a polluted environment, a decaying infra-structure, a less than adequate educational system.

Don't talk to me about our crowded prisons, our street crime, our drinking and drug problems, our school drop-outs, our single parent families, our battered wives, all, indeed, serious and deplorable social problems, unless you are also planning and working to solve the unemployment among our youth so that their spirit is not eroded, their bodies are not wasted, and their future made hopeless. Let's quit kidding ourselves. There is no safety net, there is no trickle-down, our youth are being crucified, to use William Jennings Bryan's phrase, on a cross of gold and useless weapons.

These Bills are a start. They must be enacted by men and women who believe in our people, our country and our future. They must be passed to give some glimmer of hope to our youth and unemployed before it is too late and all of our dreams and hopes for a secure and dynamic society evaporate.

These Bills are creative and bold. They are late in coming. They must be passed for the sake of our poor, for the sake of our nation and its future. I support them.

Mr. HAYES. You may remain there. We may have one or two questions, Monsignor Egan.

Monsignor EGAN. Congressman, if I may respectfully ask to be excused, I have a funeral which begins soon.

Mr. HAYES. Understandable. Thank you for coming. We appreciate your testimony, and it will be entered in its entirety in the record.

Monsignor EGAN. Thank you.

Mr. HAYES. Reverend Thurston.

STATEMENT OF REV. STEPHEN J. THURSTON, PASTOR, NEW COVENANT MISSIONARY BAPTIST CHURCH

Reverend THURSTON. Thank you so much. I would like to thank Congressman Charles Hayes of Illinois, and the chairman of this subcommittee, Congressman Augustus Hawkins, for allowing me an opportunity to share my views and observations on problems facing the unemployed, and the possible effects of H.R. 5017, the Youth Incentive Employment Act, and H.R. 5814, the Income and Jobs Action Act of 1984.

My name is Rev. Stephen J. Thurston. I am the pastor of the New Covenant Missionary Baptist Church, located at 740 East 77th Street on the south side of Chicago. I am the third generation of pastors at this church, having pastored at New Covenant for 6 years now, which has a 50-year commitment to this community.

As pastor, I have many varied duties. Some of them, ministering to the sick, counseling parishoners, developing activities for our young people and involving our church in issues that affect our own communities. I have had a chance, in a very personal way, to see the effects of unemployment from many vantage points.

It's not a pretty sight. It does not look good in the lives of the people I serve. In the case of our youth, many are unemployed and restless. They are restless in their spirit and they are restless in their mind. Without work and productive endeavors, their usefulness is severely limited.

There's too much idle time, summer after summer, on their hands. In my conversations with many of the youth in my church, you can see the frustration that they feel. They feel this frustration not only with the job plight, but also in their schooling. It is extremely difficult to tell a young boy or girl that school and education are a ticket to success, when they see so many of their older friends, their relatives, and even their parents, who are unemployed and out of work.

Many of them look for work all summer long, without finding anything. And occasionally, I may have the opportunity to be successful in placing one of them in local business, but the economy and their lack of work experience work against them in simply finding, knowing how to interview, knowing the correct procedures and going about getting jobs.

Turning to education, schooling is much more than just studying books and being in a classroom. It is a preparatory period for the life that they are looking to live beyond that time. Without job experience, a youth will not be a well-rounded individual, that he or she needs to be to compete in today's high technological job market.

And I think the key word here is "to compete" and we have been watching for the last several weeks on television, competition at a very high level in the Olympics, and all of those who have watched, watch with the understanding that those who are participating are able to participate at a competitive level because they had the training, they had the opportunity to put forth what they had as a goal and a dream.

Many medals are being won simply because many hours and many days and many weeks were spent getting them ready to accomplish these goals. That's simply the basic formula we need to encourage in developing our young people. Our children will not be able to compete in the job market unless the job experiences they need to form good work habits are brought about. All of this is a valuable experience to them. We are allowing a situation to continue that condemns future generations of minority youth to poverty status. Job experience, in some ways, duplicates the life learning situations that they will need as they grow into adulthood. If their life learning situation teaches them that unemployment is not only a way of life, but acceptable, we have to foster a giant wave of frustration and deferred dreams, and even continued welfare handouts and other ways of living that will not allow them to break loose and become what they can be.

That will, one day, move in a wave overflowing this dam of restraint that holds them back. Heaven help us if this should happen. It does not have to happen.

We feel that the provisions of the Youth Incentive Employment Act offered by the chairman of this subcommittee, Congressman Hawkins, and by Senator Edward Kennedy of Massachusetts on the Senate side, will go a long way toward getting this valuable experience for our young people.

In the work world, our youth will need to compete in the job market now. Additionally, it will mandate the training is tied into the employment situation. This mandate will ensure that our youth obtain the work skills that they need to make themself employable. There can be no real substitution for the pride of accomplishment that a young person feels when he or she earns their own way.

We all know the good feeling that accompanies a job well done. Let's see that our children have an opportunity to experience this also. Experience, and I have no doubt it will be positive, they will gain, will help shape their pattern of participation in society. Valuable training, promotion of education, and on-the-job experience, will help replace the lack of discipline I see in our youth that grows as youth unemployment becomes young adult unemployment, and ultimately adult unemployment.

As I am sure you can tell, the provisions of work experience is a high priority with me. I feel that way, perhaps, for some very personal reasons. As a third generation pastor in this 50-year-old church, my father died when I was 26 years old, and I had the responsibility of giving leadership to the church membership of over 1,200 people.

There was no way, at 26 years old, that I could have given any kind of effective leadership to over 1,200 parishoners if, in fact, my father had not trained me and brought me into an understanding of what my work would ultimately be. My father was very supportive of me, allowing me to learn pastoring right by his side.

I was copastor of that church for 4 years before he passed. This helped to shape the view that I have on my responsibilities now. The supportiveness, the sharing of responsibilities, and the gradual increase of adult responsibilities, helped me immeasurably. But not everyone had a father like mine to simply help me in getting his thoughts and to help guide my life.

Many of our unemployed, but not all, are from single parent homes, on public assistance, or from unemployed families themselves. What about them? We need to have H.R. 5017 enacted to help those who want to have the same opportunity we had, who want to work and who want to experience this meaningful training.

I urge us to move in support of this bill. I'm also in support of H.R. 5814, the Jobs and Income Action of 1984 sponsored by Congressman Charlie Hayes and Congressman John Conyers. I count so many families in my church that are under severe pressure from the effects of unemployment.

The fact that more and more black women are working and fewer and fewer black men are going back to work or even have a job, have placed a heavy weight on the black family. This kind of weight that threatens to destroy that family unit that has kept our community strong since slavery, the church kept the family together, and the family kept the church together.

But the family is under attack. The bill that is introduced by Senator Percy of Illinois for youth employment would pit sons and daughters, who are unemployed at rates to 60 percent in our community, against their mothers and fathers. This chronic unemployment problem has put all the members of the family who are of working age against one another in a rival form for the same few jobs.

Unemployment has had an emasculating effect on the black male head of the household. Families are breaking up in record numbers as the pressure builds on the male head of the household to assume his role as the breadwinner. Without opportunities, this will not happen.

And what do we get? More female head of the households living at a poverty level, and an increasing spiraling of poverty. People want to work. Black men want to work. They need to work. They must work, if we are to save our families, in some cases, desperately. And I think that the Government must be the employer of the last resort.

If that is necessary. We must help the unemployed, the underemployed, and never-employed regain their dignity and productivity. From where I stand, the wisest investment we can make is in our own citizens.

We have many work projects that can be undertaken to improve our communities and country as a whole, and, at the same time, provide the unemployed with an opportunity to be productive, earn a living, feed their families, and regain their dignity and self-worth, and keep our families together.

I hope you understand, fully, the urgency of this measure. We need this bill. We need it passed as quickly as possible. Everyday we delay, the problem gets larger and larger. We can do something about it if we are not afraid to say that people are more important than weapons of destruction.

Our youth are more important than funding satellites in space, and that no pricetag can be put on restoring the human dignity in our mankind. Thank you so much. [Applause.]

[Prepared statement of Reverend Thurston follows:]

PREPARED STATEMENT OF REV. STEPHEN J. THURSTON, PASTOR, NEW COVENANT MISSIONARY BAPTIST CHURCH

I would like to thank Congressman Charles Hayes, of Illinois, and chairman of this subcommittee, Congressman Augustus Hawkins, for allowing me an opportunity to share my views and observations on problems facing the unemployed, and the possible effects of H.R. 5017, Youth Incentive Employment Act and H.R. 5814 Income and Jobs Action Act of 1984.

My name is Reverend Stephen J. Thurston. I am the pastor of the New Covenant Missionary Baptist Church, located at 740 East 77th Street, here on Chicago's South Side. I am a third generation pastor at my church, having pastored at New Covenant for 6 years following the passing of my father.

A pastor has many duties, some of which are ministering to the sick, counseling parishoners, developing activities for our youth, and involving the church in issues that affect our own communities. I have had a chance to see the effects of unemployment, from many vantage points. It is not pretty!

In the case of our youth, many are unemployed and "restless". They are restless in spirit as well as mind. Without work and productive endeavors, their usefulness is severely limited. There is too much idle time on their hands. In my conversation with many or the youth in my church, you can sense the frustration they feel. They feel this frustration, not only with their job plight, but also with school. It is extremely difficult to tell a young boy or girl that school, and education, are a ticket to success when they see so many of their friends, relatives, and even parents out of work. Many of them look all summer for work, without finding any. Occasionally, I may be successful in placing one with a local business, but the economy and their lack of work experience work against our youth in finding a job. Returning to education, schooling is much more than just studies, and classrooms, and books. Without job experience, a youth will not be well-rounded individual he or she needs to be to compete in today's highly technological job market. I think the key word here is "compete". Our children will not be able to compete in the job market, unless the job experiences they need to form good working habits, are made available to them. Without this valuable experience, we are allowing a situation to continue that condemns future generations of minority youth to poverty status. Job experience, in some ways, duplicates the "life learning" situations that they will need as they grow into adulthood if their "life learning" situation teaches them that unemployment is not only a way of life but acceptable, we help to foster a giant wave of frustration and "deferred dreams" and even that will one day overflow the "dam" of restraint that holds it back. Heaven help us, if this should happen. But it does not have to.

And we feel that the provisions of the Youth Incentive Employment Act, authored by the chairman of this hearing, Congressman Hawkins, and Senator Edward Kennedy of Massachusetts, will go a long way toward getting this valuable experience, for our young people in the work world, our youth will need to compete in the job market. Additionally, it will mandate that training is tied into the employment situation. This mandate will ensure that our youth obtain the work skills that they need to make themselves "employable". There can be no real substitution for the pride of accomplishment that a youth feels when he or she earns his or her own way. We all know the good feeling that accompanies a "job well done". Let's see that our children have an opportunity to experience that also. The experience, and I've no doubt it will be positive, they will gain, will help shape their pattern of participation in society. Valuable training, promotion of education, and on the job experience will help replace lack of discipline I see in our youth, that grows as youth unemployment becomes young adult, and then ultimately adult unemployment.

As I am sure you can tell, the provision of work experience is a high priority with me. I feel that way, perhaps, for personal reasons. My father was very supportive of me, allowing me to learn pastoring by his side. I was a co-pastor of our church, before his passing, which was very unexpected, and his tutelage helped to shape the view that I have of my responsibilities.

This supportiveness, sharing of responsibilities, and gradual increase of adult responsibilities helped me immeasurably. But not everyone had a father like mine to help shape his thoughts, and guide his life. Many of our unemployed, but not all, are from single parent homes, on assistance, or from unemployed families themselves. What about them? We need to have H.R. 5017 enacted to help those who want help, who want to work, who want experience and meaningful training. I urge you to do so.

I am also in support of H.R. 5814, the Jobs and Income Action Act of 1984, sponsored by my Congressman Charlie Hayes and Congressman John Conyers of Michigan. I counsel many families in my church that are under severe pressure from the effects of unemployment. The fact that more and more black women are working and fewer and fewer black men are going back to work has placed a heavy weight on the black family. The kind of weight that threatens to destroy that unit that has kept our communities strong since slavery. The church kept the family together, and the family kept the church together. But the family is under attack. The bill that was introduced by Senator Percy of Illinois for youth employment would pit sons and daughters, who are unemployed at rates up to 60% in our community, against their fathers and mothers. This chronic unemployment problem has put all the members of the family, who are of work force age, against one another as rival for the same few jobs. Unemployment has had an emasculating effect on the black male head of household. Families are breaking up in record numbers as the pressure builds on the male head of the household to assume the role of breadwinner. Without opportunities, this will not happen. And what do we get? More female headed households, living at the poverty level, and an increasing spiral of poverty.

People want to work, in some cases, desperately, and I think that the Government must be the employer of the last resort if that is necessary. We must help the unemployed, the underemployed, and never-employed regain their dignity and productivity. From where I stand, the wisest investment we can make is in our own citizens. We have many works projects that can be undertaken to improve our communities, and our country as a whole, and at the same time provide the unemployed with an opportunity to be productive, earn a living, feed their families and regain their dignity and self-worth, and keep our families together. I hope that you understand, fully, the urgency of this measure. We need this bill passed as quickly as possible, every day that we delay, the problems get larger! We can still do something about it, if we are not afraid to say that people are more important than weapons of destruction, that our youth are more important than funding satellites in space, and that no price tag can be put on restoring human dignity.

Thank you.

Mr. HAYES. Thank you, Reverend Thurston. As I've told witnesses who preceded you, your statement in its entirety will be entered into the record. We want to again thank you for your support of the two bills before us.

Thanks again.

The next panel will be Mr. James W. Compton, president of the Chicago Urban League, and Mr. Leonard Robinson, director of the Washington Park YMCA. Brother Compton?

STATEMENT OF JAMES W. COMPTON, PRESIDENT, CHICAGO URBAN LEAGUE

Mr. COMPTON. Thank you very much. Chairman Hawkins, Congressman Hayes, I am James W. Compton, president of the Chicago Urban League, one of the 113 affiliates of the National Urban League.

It is my great honor and personal privilege to be given this opportunity to testify before the Subcommittee on Employment Opportunities of the U.S. House of Representatives' Education and Labor Committee.

The Chicago Urban League is well familiar with the convenors of this hearing. We know Congressman Hawkins as a stalwart champion of the cause of giving every able-bodied Americans the opportunity to be gainfully employed, and to live in dignity and economic security.

I have, on two other occasions, had the opportunity to testify before a committee chaired by the Hon. Congressman Hawkins, and this Nation and all of us owe you a deep debt of gratitude for the tremendous work you've done in the U.S. Congress.

The Urban League's headquarters facility is located in Congressman Hayes' First Congressional District. We have enjoyed an intimate and productive relationship with Congressman Hayes. He's a loyal and faithful and dedicated member of the board of directors of the Chicago Urban League.

And as a labor leader of long-standing, Congressman Hayes has always recognized and fought for the interests of working men and women, for decent wages, and for a work environment that is safe and not inimical to their health and well-being.

This is an important and perhaps an historic occasion. It marks the beginning of what we hope will be a new era of common concern for the cities and for the people who live in them.

For the 68 years of our existence in the Chicago community, the Chicago Urban League has forwarded the ideal of an open, integrated, and pluralistic society. Through a variety of programs, advocacy and research, we have utilized the resources at our disposal to bring a measure of relief to those who suffer most from government's failure to make good America's promise.

This is as a promise as old as the Republic itself, that all citizens would have equality of opportunity to maximize their human potential in the pursuit of happiness. But to a sizeable segment of our Nation, this promise is an illusory one, because it is unmatched by any firmness of commitment, any sensible social and economic policies and any sustained vigor of spirit.

To too many of those who are black or find themselves in the clutches of poverty, the American dream remains just that, a dream, transient and without substance.

I commend this committee's initiative and give my wholehearted support and the support of the Urban League, to the two bills which are the subject of this hearing. The sponsors of these measures have indeed devised the most tangible means for America to demonstrate its commitment to constitutional and statutory promises.

The conditions faced by blacks and the poor of every color or ethnic grouping in Chicago speak loudly and persuasively for a new direction, new thought, and new leadership, if we are to solve the problems afflicting our cities. The words of Franklin Delano Roosevelt in 1932 are especially fitting in our generation, and I quote:

> The unhappy times call for the building of plans that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid.

The Income and Jobs Action Act of 1984 (H.R. 5814) is a cogent statement of a public policy that clearly and accurately addresses the problems of employment and income facing in the basement of the American economy.

It articulates goals and offers a framework to achieve them. It dispells that self-serving notion that human development may be left to the vicissitudes of an imperfect market system. And it challenges the myth that a hands-off posture by the Government in the sphere of economy will lead to greater profits which, in turn, will solve our most pressing crisis.

That this is a cruel and fanciful hoax is best illustrated by the fact that business profits are being used to effect mergers and buyouts, to acquire technologically sophisticated equipment and robots to replace human workers, and for expansion outside of the United States.

The concept of trickle-down, laissez-faire recovery is antediluvian in character and immoral in result. It has led to the most severe recession of 50 years and the biggest deficit in the 200 years of our Nation's existence.

I say without equivocation that it is both un-American and a matter of faulty priorities to raise military expenditures while slicing funds for cities and disinvesting from the development of our human resources. A moral commitment to peace and the conversion to a peace-time economy is the only rational proposition, given the deficit position of our economy and with our cities becoming the major casualties of an insane arms race.

In Chicago, the results are clear. In 1983, official unemployment rose to 16.8 percent. And for our nonwhite population, that figure was 25 percent, and for whites, 10.3 percent. But I must point out that these official figures do not take into account the hidden unemployed, those who are discouraged and not looking for work, by persistent prior failure to find employment and those who are forced to accept part-time work because full-time jobs are unavailable to them.

If the hidden unemployed are added to the official unemployed, the result would be 28 percent overall unemployment rate in Chicago, with 18 percent of whites being unemployed, and 43 percent of blacks unemployed.

For black teenagers, the official rate of unemployment is close to 60 percent. To add the hidden unemployed teens to this figure raises the level to an incredible and even more unconscionable height.

The much-touted economic recovery has not touched every sector equally. In 1983, white male unemployment declined slightly in Chicago, but, at the same time, the condition for nonwhites and females worsened. This is neither new nor surprising, because historically whites have recuperated quicker from economic hammer blows. For the period 1975 to 1979, white unemployment in Chicago declined steadily from 8.1 to 5.4 percent while nonwhite unemployment rose from 11.1 to 16.2 percent in 1978, finally declining to 11 percent in 1979.

What is most troubling is the fact that even the U.S. Bureau of Labor Statistics admits that the jobs lost in the early 1980's were permanently lost. These permanently displaced workers were disproportionately in blue-collar occupations and disproportionately black and Hispanic, and there's no objective basis for believing that the explosion into high tech will solve the problem of structural unemployment.

The occupational areas projected for growth over the next decade are: building custodians, cashiers, secretaries, general office clerks, and sales clerks.

This has been interpreted as good news by some, in that these jobs require less skills and training and may more readily absorb unskilled and untrained workers. But the bad news is that these jobs offer considerably less compensation, stability, and opportunities for advancement.

The median annual earnings for male workers in these jobs ranged from less than $7,000 per year for cashiers to less than $12,000 for secretaries, according to the 1980 census data. The median annual earnings for men in manufacturing was close to $20,000. Mention should also be made of the fact that 75 percent of all workers in manufacturing enjoy full-time year-round employment, while only 40 percent of cashiers are employed full time, year around.

It is particularly disturbing to see that our society is moving toward a work force stratified into three ranks. The first stratum would consist of well-educated, well-trained, and well-paid business and professional people.

The second would be comprised of a larger body of workers trapped in low-skilled, low-paying jobs, and the third layer would be a significant group of people excluded entirely from the financial, social, and psychological work rewards of productive work.

There is indication that these graduations would be defined by geography and race, with nonurban whites at the top, and urban-nonwhites trapped at the bottom.

These are some of the major dimensions of the economic crisis facing the Chicago Urban League's constituency and the constituency of Congressman Hayes. The causes are deeply rooted in our political, cultural, and economic systems. A fundamental change in policy holds the best hope for the millions of Americans who desire, above all else, the chance to live in dignity and contribute to the prosperous and fairer America.

The second bill of legislation being addressed, H.R. 5017, introduced by Congressman Hawkins, presents with specificity, a blueprint for governmental action. The Youth Incentive Employment Act can lead the way in removing structural impediments that harm our economic well-being. It is a sound and tested program that addresses the extraordinary problems facing low income, and typically minority teenagers today.

For several years, beginning in 1978, the Youth Incentive Entitlement Pilot Projects provided minimum wage, part-time jobs during the school year, as well as full-time employment during the summer. A basic requirement was that these youth were enrolled in school and making satisfactory academic progress. Several evaluation studies have confirmed the positive results of these projects. Participants were found to remain in employment longer, and were earning more than nonparticipants in a 1-year period following completion of the program.

This bill, then, addresses the two major problems facing our youth: insufficient education and lack of job opportunities. Its effectiveness has been clearly demonstrated, and its costs are insignificant, compared to the costs of the options. Irretrievable loss of human potential, increased crime, gang warfare, teenage parenthood. and the establishment of a permanent underclass defined by color of skin and geographical boundaries.

For all of these reasons, and more, this hearing offers renewed hope. Our society is facing serious national problems, stresses, and strains. Those most vocal in attacking affirmative action, help for the needy, public education for our children, food for the hungry, housing for the homeless, health care for the sick, and jobs for the jobless seemed to have strayed from the fundamental notions enshrined in our Constitution and our Bill of Rights.

Those who would vilify our efforts to lift the burden of poverty from blacks and other minorities have forgotten that civil rights unaccompanied by economic rights does not assure equality in the pursuit of happiness.

And as I reiterate my support of H.R. 5017 and H.R. 5814, I pledge my beliefs in the words of the late Whitney M. Young, former executive director of the National Urban League, and I quote:

> I do have faith in America—not so much in a sudden upsurge of morality nor in a new surge toward greater patriotism—But I believe in the intrinsic intelligence of Americans. I do not believe that we forever need to be confronted by tragedy or crisis in order to act. I believe that the evidence is clear. I believe that we as a people will not wait to be embarrassed or pushed by events, into a posture of decency. I believe that America has the strength to do what is right. I am convinced that given a kind of collective wisdom and sensitivity, Americans today can be persuaded to act creatively and imaginatively to make democracy work. This is my hope, this is my dream, this is my faith.

End of quote.

With this faith, let us recognize the new realities of America's social and economic life. And let us urge new cooperation in a reality that demands the pursuit of change, in the interest of all of the people.

Thank you very much.

[Applause.]

[Prepared statement of James W. Compton follows:]

PREPARED STATEMENT OF JAMES W. COMPTON, PRESIDENT OF THE CHICAGO URBAN LEAGUE

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This is an important and perhaps an historic occasion. It marks the beginning of what we hope will be a new era of common concern for the cities and for the people who live in them.

For the 68 years of our existence in the Chicago community, the League has forwarded the ideal of an open, integrated and pluralistic society. Through a variety of programs, advocacy and research we have utilized the resources at our disposal to bring a measure of relief to those who suffer most from government's failure to make good America's promise. This is a promise as old as the Republic itself—that all citizens would have equality of opportunity to maximize their human potential in the pursuit of happiness.

The much touted economic recovery has not touched every sector equally. In 1983, white male unemployment declined slightly in Chicago; but, at the same time, the condition for non-whites and females worsened. This is neither new nor surprising because, Historically, whites have recuperated quicker from economic Hammer blows. For the period 1975 to 1979 white unemployment in Chicago declined steadily from 8.1 percent to 5.4 percent while non-white unemployment rose from 11.1 to 16.2 percent in 1978, finally declining to 11.0 percent in 1979.

What is most troubling is the fact that even the U.S. Bureau of labor statistics admits that the jobs lost in the early 1980s were permanently lost. These permanently displaced workers were disprortionately in blue-collar occupations and disproportionately black and Hispanic, and there is no objective basis for believing that the explosion into "hi-tech" will solve the problem of structural unemployment.

The occupational areas projected for growth over the next decade are: building custodians, cashiers, secretaries, general office clerks, and sales clerks.

This has been interpreted as "good news" by some, in that these jobs require less skills and training and may more readily absorb unskilled and untrained workers. But the "bad news" is that these jobs offer considerably less compensation, stability and opportunities for advancement.

The median annual earnings for male workers in these jobs ranged from less that $7,000 per year for cashiers to less than $12,000 for secretaries, according to 1980 census data. The median annual for men in manufacturing was close to $20,000, mention should also be made on the fact that 75 percent of all workers in manufacturing enjoy full-time, year-round employment while only 40 percent of cashiers are employed full-time, year round.

It is particularly disturbing to see that our society is moving toward a workforce stratified into three (3) ranks. The first stratum would consist of well-educated, well-trained and well-paid business and professional people. The second would be comprised of a larger body of workers trapped in low-skilled, low-paying jobs. And the third layer would be a significant group of people excluded entirely from the financial, social and psychological rewards of productive work. There is indication that these gradations will be defined by geography and race, with non-urban whites at the top and urban non-whites trapped at the bottom.

These are some of the major dimensions of the economic crisis facing the Chicago Urban League's constituency and the constituency of Congressman Hayes. The causes are deeply rooted in our social, cultural and economic systems. A fundamental change in policy holds the best hope for the millions of Americans who desire, above all else. the chance to live in dignity and contribute to a prosperous and fairer America.

The second bill being addressed, H.R. 5017, introduced by Congressman Hawkins, presents with specificity a blueprint for governmental action.

The Youth Incentive Employment Act can lead the way in removing structural impediments that harm our economic well-being. It is a sound and tested program that addresses the extraordinary problems facing low-income, and typically minority, teenagers today.

For several years, beginning in 1978, the Youth Incentive Entitlement Pilot Projects provided minimum wage, part-time jobs during the school year, as well as full-time employment during the summer. A basic requirement was that these youth were enrolled in school and making satisfactory academic progress. Several evaluation studies have confirmed the positive results of these projects. Participants were found to remain in employment longer, and were earning more than non-participants, in a one year period following completion of the program.

This bill, then, addresses the two major problems facing our youth: Insufficient education and lack of job opportunities. Its effectiveness has been clearly demonstrated, and its costs are insignificant when compared to the costs of the alternatives: Irretrievable loss of human potential, increased crime, gang warfare, teenage parenthood, and the establishment of a permanent underclass defined by color of skin and geographical boundaries.

For all of these reasons and more this hearing offers renewed hope. Our society is facing serious national problems, stresses and strains. Those most vocal in attacking affirmative action, help for the needy, public education for our children, food for the hungry, housing for the homeless, health care for the sick, and jobs for the jobless seem to have strayed from the fundamental notions enshrined in our Constitution and Bill of Rights. Those who would vilify our efforts to lift the burden of poverty from blacks and other minorities have forgotten that civil rights unaccompanied by economic rights does not assure equality in the pursuit of happiness.

As I reiterate my support of H.R. 5017 and H.R. 5814, I pledge my belief in the words of Whitney M. Young, Jr., former executive director of the National Urban League:

"I do have faith in America—not so much in a sudden upsurge of morality nor in a new surge toward greater patriotism—but I believe in the intrinsic intelligence of Americans. I do not believe that we forever need to be confronted by tragedy or crisis in order to act. I believe that the evidence is clear. I believe that we as a people will not wait to be embarrassed or pushed by events, into a posture of decency. I believe that America has the strength to do what is right. I am convinced that given a kind of collective wisdom and sensitivity, Americans today can be persuaded to act creatively and imaginatively to make democracy work. This is my hope, this is my dream, this is my faith."

With this faith, let us recognize the new realities of America's social and economic life. And let us urge new cooperation in a reality that demands the pursuit of change, in the interest of all of the people.

Thank you.

Mr. HAYES. Thank you, Mr. Compton. Your statement will become a part of the record of this subcommittee. Our next witness, Mr. Leonard Robinson.

STATEMENT OF LEONARD ROBINSON, DIRECTOR, WASHINGTON PARK YMCA

Mr. ROBINSON. First, I'd like to express my thanks to this committee for inviting me to express and share some of my past experiences.

My name is Len Robinson and I am the executive director of the Washington Park YMCA at 50th and Indiana.

Before I begin, I'd like to just take a second or two to just look back 20 years or so where I spent my time earning a living. I worked with the boys clubs and taught school in East Chicago Heights, IL. I taught school in Altgeld Gardens, way out south, South Side, and worked in their social center programs.

I directed the Robins Community Center for 3 years in Robbins, IL. I directed the Harvey YMCA for 2 years.

I directed the Lower North Youth Center in Cabrini Green, and presently am the director of the heart of the Washington Park YMCA.

The reason I direct you to my background is, whether by choice or chance, for the most of those 25 years, I have been getting a very close firsthand look at all of the reasons why these two pieces of legislation, H.R. 5017, and H.R. 5814, should be enacted. I have many fond memories of these places that I worked, but the sober fact remains that, if unemployment is high among youth throughout the United States, it is particularly high in these areas.

As most of you know, two of those communities are right at the bottom in almost every category in the State of Illinois.

During this time, I have come to firmly believe that, unless we take positive steps to alleviate this sad condition of dangerously high unemployment among today's youth, it may be the undoing of our society tomorrow.

I would like to ask the question: Why are so many young people, eagerly opting for gang involvement which, in many cases, leads to organized crime. These young people, as most of you know, are no different than you and I. If they cannot find self-expression through the typical channels, such as school, athletics training, apprenticeships, and ultimately, a good job, they will more than likely find outlets for self-expression through the means I outlined above.

In this country, it is tough to be without a job. Most of us in this room give lipservice to this particular notion, but just ask yourself, what would you do if you did not have a job. Unfortunately, I had to ask myself this question during the last couple of years, and as some of you here are aware, being out of work is an experience most of us would really not want to know. I truly submit that if you could really empathize with these young, unemployed people, you would dread the thought of being barely temporarily out of a job.

I recently spent some time in a community where unemployment among youth was quite high, around 50 percent. Now, this figure is one that most of us can only relegate to another age group; I'm certain that most of the adults here would be very difficult for you to imagine that figure being applied to your particular age group.

Because, if it did, half of us in this room, the adults would not be working today. The loss of self-respect in many cases may be irreversible; the loss of hope of really ever making it in this society, and one of the most terrible effects of being without a job is the acceptance of this, of the situation that many young men and women have to do.

One experience I recall, a young man who had not worked for about 2 years, and I asked him would he mind volunteering some, doing some work at the center for me, and he said yes. So we talked about what time could he come over and help out at the center, and he said, well I could come in the morning.

Without realizing it at the time, he indicated that he was willing to come to work at a time, come to volunteer at a time when most people would be looking for a job. And after more discussion with him, it turned out that after a year of looking for a job, he simply had run out of gas.

And I think it was only temporary, but he was simply tired and he had just about decided to give it up. He seemed to be bright and intelligent and he appeared to me that he would make a good employee for somebody.

But, after all those months of job hunting, he simply just had no more steam. And the sad part about this example is that he simply is just one of very, very many, as other witnesses have testified.

In this community on many mornings, as I come to work, I would see scores of working age young people, as well as adults, moving about around the community going about their daily business as if it was a holiday. The only catch was that there was no job to return to the next day, and no paycheck to expect the next week.

Another case comes to mind, as I speak, where a young woman about 18 years old, with one child, found it very difficult to maintain a consistent job hunting pattern. Her highest drawback was not being able to maintain enough money to pay carfare and properly just dress for job hunting. Therefore, she spent most of her time looking for jobs in places close to home, consequently limiting herself to far fewer unemployment prospects. Unfortunately, oftentimes young women like this resort to accepting support from male friends just to make ends meet. Often times the end result is often more children and the vicious cycle goes around and around.

Many young Americans need only a good job to connect the missing link in their lives. Without the prospects of a good job, valuable learning experiences are lost for good. A paper route, weekend lawn cutting jobs, working at a fast food restaurant, are simply just a few examples of how young people begin to learn the values of being on time, being presentable, following instructions, giving instructions, and all of the other values associated with the world of work, not to mention the pride and in dependence that a good job provides.

The Youth Incentive Employment Act, H.R. 5017, may not mean much to people who are not familiar with both the physical and the social conditions in America's inner cities. However, those of us who work and/or live in these areas view this legislation quite differently.

We see it as a ray of hope for many young people who have no hope. If it is true that the rate of single parent households is much higher in inner city areas, and that substandard housing is more prevelant in these areas, and also that crime is very high, and we know income is very low, it would seem to me that the best way to get at the core of this particular problem, or all of these problems, is to try to stabilize the people in these areas.

In a capitalistic society, people without jobs and consequently no capital, it's like being in a foreign country without being able to speak the language. I often recall the expressions on the faces of many young people involved in past summer youth employment programs as they lined up to await their paychecks, the light on their faces reminded me of my early experiences with work, as I remember the joy, and the feeling of pride and maturity all rolled into one. I felt that it was almost cruel to deprive these young men and women of at least some measure of employment.

How can they possibly compete in the coming high-tech society unless they are exposed to at least the entry level of the work world. If we don't make provisions to get them exposed to the coming technology, this particular problem we are discussing today will be even greater tomorrow.

The business community should be first in line to support this legislation, because they will be among the benefactors. For many of these young people who qualify to work under this bill, they will take their experiences to private industry. They will be far better prepared for work than they would have been had they not gotten the basic experience of work through this kind of legislation.

We are living in a very very fast paced society and most of our ideas, and if our ideas do not keep pace with this, many young people will be ground up in the process. Chrysler Corp. and Continental Bank right here in Chicago are simply two very huge examples of the largest of corporations needing and receiving support.

The investment that this bill requires will have far-reaching returns which will be expressed in many many different ways. A paycheck in a household where there are very few other paychecks, if any at all, will achieve much more than we here in this room can imagine. And as I close, I want very much to impress upon you the importance of the enacting of this legislation, from a psychological standpoint.

And that its value cannot be measured in the dollars that will be earned each week. I urge you to understand that high unemployment among inner city youth is preventing them from tieing into this society. And if you don't own a piece of this rock, you could care less if it cracks.

I urge everyone to support this legislation. It is the most inexpensive way to solve a very very serious problem.

Thank you. [Applause.]

[Prepared statement of Leonard Robinson follows:]

PREPARED STATEMENT OF LEONARD ROBINSON, EXECUTIVE DIRECTOR, WASHINGTON PARK YMCA

Chairman Hawkins, respected Member of Congress, members of this committee and fellow concerned citizens. I would like to thank this committee for letting me present my views here at this hearing on H.R. 5017, the Youth Incentive Employment Act and H.R. 5814, the Income and Jobs Action Act of 1984.

Before I begin, let me just take a few short moments to discuss my background: During the past twenty-two (22) years, I have worked with various boys' clubs, and taught school in East Chicago Heights. I have taught school in Altgeld Gardens, a Chicago Housing Authority development on the far south side of Chicago, and worked with youth in their social center programs. For three (3) years, I was the director of the Robbins Community Center, in Robbins, Illinois. I was director of the Harvey YMCA, in Harvey, Illinois for two (2) years. I have also been the director for the lower North Youth Center in Cabrini Green, another Chicago Housing Authority development, which gained a great deal of notoriety, nationally, when the former mayor of Chicago, Jane Byrne moved there. I am, presently, the executive director of the Washington Park YMCA at 50th and Indiana.

The reason that I direct you to my background is whether by choice or chance, for most of the past 25 years, I have been getting a first hand look at all the reasons why H.R. 5017 should be enacted. I have many fond memories of all the above-mentioned communities, but the fact remains clear that if unemployment is high among youth throughout the United States, it is particularly high in those places where I have spent much of the past 25 years.

During this time, I have come to, firmly, believe that unless we take positive steps to alleviate this sad condition of dangerously high unemployement among todays youth, it may well be the undoing of our society tomorrow.

I often ask myself this question, "why are so many of our young people, eagerly, opting for gang involvement, which in many cases, is the training ground for organized crime?" Our young people are no different than any of us in this room! If they cannot find self expression through the typical channels, such as school, athletics, training, apprenticeships, and ultimately, a good job, they will more than likely find outlets for self expression through the means I outlined above.

In this country, it's tough to be without a job. Most of us give lip service to this notion, but ask yourself, "What would I do if I did not have a job?" I submit that if you answer that questions honestly, and can empathise with these young people, who are unemployed, you too would dread the thought of being temporarily or permanently out of work.

I recently spend some time in a community where the unemployment rate, among its youth, was around 50%. Most of us think of figures like this in relation to "other" age groups and not our own. Can you imagine that figure being applied to our own age group. If it was, many of us, who are working in this room, would not be! But the damage of being unemployed goes much deeper than not getting a paycheck. The loss of self-respect, in nay cases, may be irreversible. Add to this, the loss of hope of really ever "making it" in this society, and worse of all, the acceptance of your situation.

I remember one case in particular, where one young man had been out of school for about 2 years and had worked, on and off, for about one year, after leaving school. When I asked him to do some volunteer work for me, he said "Yes". But when we discussed the hours, he included hours that one would, generally, spend looking for a job. After further discussion, I concluded that this young man, at least temporarily, had given up looking for work. He seemed bright and intelligent, and would possibly have made a very good employee for some business. However, after many months of job hunting, he had just "given up." He, unfortunately, is not an isolated case.

On many mornings, on my way to work, I would see many youth, and young adults moving around the community, on work days, as if on vacation. Sadly, however, they are not on vacation. Nor is there a job to "return to," or a paycheck after "returning."

A young woman, 18 years old with one child, found it very difficult to maintain a consistent job search pattern. Her inability to pay for bus or taxi transportation to possible employment sites or to purchase clothing for job hunting, forced her to limit her job search to places in her immediate vicinity. This limiting of employment prospects is a fact of life for many of our youth and young adults, unemployed and out looking for work. Many times young women have to resort to accepting financial support from male friends, just to make ends meet. Gentlemen, survival ain't pretty for those without hope! And it isn't very pretty for the children, often born out of wedlock and in numbers, by young women, unemployed, unskilled, and without hope, who resort to accepting support from male friends. The vicious cycle of poverty is continued!

Many young Americans need only a job to connect the missing link in their lives. Without a job, and valuable skills and that learning experience, many opportunities can be lost, sometimes, forever. A paper route, weekend lawn cutting, setting up pins in a bowling alley, working at fast food restaurants are just a few examples of places that young people begin to learn the importance and value of being on time, being presentable, following instructions, and all of the other values associated with the world of work, not to mention the pride and independence that a job provides.

The Youth Incentive Employment Act (H.R. 5017) may not mean much to people who are not familiar with both the physical and social conditions in many of our country's inner cities. However, those of us who work or live in these areas view this legislation quite differently. We see it as a ray of hope for many who have little hope. The inner cities have a higher rate of female-headed households, poorer housing stock, high crime rates, and low income. All of these are contributing factors to the cycle of poverty. We must stabilize, at the very least, and improve the quality of life for our poorer citizens. That will not happen unless they are given the opportunity to work. Unproductive kids will become unproductive adults. The time to diffuse the bomb is now!

In a capitalistic society, people without jobs and, therefore no capital, are like people in foreign countries who are unable to speak the language. I remember, vividly, the faces and expressions on the faces of young people that I have seen, involved in the summer youth employment programs. The look on their faces, as they lined up to receive their checks, reminded me of my early experiences with the work world. I had such joy and feelings of pride and maturity, when I received my first paychecks. It seems almost criminal to deny our youth of today those same feelings.

If we don't make provisions to get them exposed to the coming technology, and train them to compete in the job market, the problems that we are discussing today will get much worse.

I believe that the business community should be the first in line to urge Congress to pass a bill like H.R. 5017. These young people can become that trusted employee of the near future, and better yet, an employed youth, who is not in trouble and into antisocial behavior, can lower their taxes. How? Because that youth, in trouble and antisocial, can force a city to direct its resources to arresting, incarcerating, and trying him in the court system at public expense, of which the business community is a part, causing the need for more tax revenues, an employed youth is also a potential customer.

I urge you to understand that high unemployment among our inner city youth is preventing them from "buying into" our society and if you don't own a "piece of the rock," you could care less if it cracks. Thank you.

Mr. HAYES. With your indulgence, I'd like to maybe raise a couple or three questions to you panelists there. The first question I'm going to raise with you, Mr. Compton, since the administration appears to be posing as part answer to youth unemployment, its bill on subminimum wage, what do you think will be the effect in this community if a subminimum wage were enacted? On the whole question of unemployment among the youth?

Mr. COMPTON. Well, I think, several things, Congressman. One, a subminimum wage is, as Mayor Washington suggested this morning, would have the sons of fathers replacing fathers, thereby the whole family unit would be deprived of adequate income. In addition, the subminimum wage, whatever it would be established at, what level below the minimum wage, would not be adequate enough to provide our youth with enough money to help finance college education if that is where they're directed, or to support families, either of their own or within the larger family framework if that is part of their responsibility.

So, it would just have a disastrous affect, and it would increase unemployment at some level, particularly at the adult level.

Mr. HAYES. Mr. Robinson, do you differ with or share that opinion?

Mr. ROBINSON. Well, I certainly share that notion and in addition, unfortunately, that summer jobs to certain segments of our community, particularly low-income minority communities, where the paycheck is quite a bit more important than it is for some young man or woman who achieves some sort of work during the summer in a middle income community.

A job, a summer job or a job such as what this bill is proposing, will do two very important things: It will give the young man and woman a chance to develop some experience that they would not have gotten, along with the twofold effect of having a paycheck. To cut that paycheck by 85 cents an hour is almost unheard of, because to have that paycheck simply means too much to the individuals.

Mr. HAYES. In your work, Mr. Robinson, with youth as you had suggested in your statement, I see you've been quite active and necessarily you have to be as a director, the Young Men's Christian Association, right in the heart of my congressional district. Have you had an opportunity to work with dropouts? If so, can you give us some reason as to why they left school? And whether or not the opportunity to work might bring them back to complete their education?

Mr. ROBINSON. Well, again, there's no question that, yes, I have had experiences with dropouts in a number of the communities I've worked with and to some degree at Washington Park YMCA.

I feel very strongly that, with a basic job or an opportunity to have a job, many of these young high school boys and girls would stay in school because I think sometimes when they leave school, they leave because they're missing something. Often times, they leave because they really can't compete as far as dressing properly or dressing the way they think they ought to dress, and they're missing something in school also as maybe being a part.

I think having a job provides a self-expression and an independence that would go a long way in making young Johnny or Susie stay in school to better their education.

Mr. HAYES. And Mr. Compton, as the president of the Chicago Urban League, which has an effective program, particularly in terms of helping to prepare and seek out employment opportunities for people, not just our youth, I was wondering—and this is for the benefit of our committee—what kind of jobs could young people perform in this community that would provide a useful service to the community? And at the same time, give youth that valuable experience. Can you, and specifically, maybe give us some idea of what kind of jobs?

Mr. **Compton**. I think there are any number of projects that our cities and communities of this kind so drastically need, clean up, fix up, renovation, rehab work, all which not only would provide income, but also in case of renovation and rehab kinds of occupations, would provide skill training, on the job training that could be carried in the larger work context later on with additional training through apprenticeship in the construction industry in particular.

There is so much, as the mayor said this morning, that we need done with infrastructure that our youth could be applied to. In our parks, in youth centers, and community centers, in agencies, that there just any number of opportunities if we had the will and commitment and would provide the necessary funding for such.

Mr. **Hayes**. I want to thank you two gentlemen for your time and your testimony, both written and oral, and it will become a part of the record of this hearing. Thanks again for coming.

Mr. **Compton**. Thank you.

Mr. **Robinson**. Thank you. [Applause.]

Mr. **Hayes**. The next panel will be Ms. Linda Graham, Chicago, IL, and Ms. Denice Miles, the codirector of the South Chicago Unemployed Action Center.

Ms. **Graham**. Thank you. Good morning.

Mr. **Hayes**. Would you talk louder into the mike? Pull it up to you, thank you.

STATEMENT OF LINDA MARIE GRAHAM, SINGLE PARENT, CHICAGO, IL

Ms. **Graham**. Good morning, Congressman Hawkins and Congressman Hayes. Thank you for allowing me to present this testimony on unemployment, its effect, and the help that citizens may get from H.R. 5017, the Youth Incentive Employment Act, and H.R. 5814, the Income and Jobs Action of 1984.

My name is Linda Marie Graham. I am a resident of the First Congressional District of Illinois, I am a single parent raising two boys ages 9 and 14. I have been unemployed for 2 years. I want to work. Even though I go out looking for employment at least two to three times a week, my search for employment has not been successful.

I attended high school here in Chicago, and dropped out of school in the 11th grade when I was 17 years old. One year later I had my first child. I still do not have a high school diploma, or a GED. For a while, I was able to work, either as temporary help, or doing low skill jobs.

Most of the jobs that I've had, I lost because of layoffs or the economy. My lack of skills has made it virtually impossible for me to compete in the tight job market.

Presently, I am receiving Aid to Families with Dependent Children [AFDC] through the Illinois Department of Public Aid. My family, three of us, live on $302 a month that I receive from public aid, plus $172 in food stamps. My food stamps average out around to $2 per person a day for our meals.

I don't want to receive AFDC, but for me it's a fact of life. My boys have to eat, and I have to have a roof over our heads.

I hope that this committee will help see that H.R. 5814 passes into law, because it will help provide me with the training that I need to support myself and my two sons. Many of my friends are in the same boat I am in. No jobs, and nothing but AFDC to look forward to.

People like me, who want to work, should be given an opportunity to work. I see a lot of things in my neighborhod that need repairing, like streets and alleys. I would be willing to do construction and light repairing to earn a living. I am not too proud to get a little dirty doing honest work.

I just want to work. And there are thousands of others, just like me, all over this city. In 2 years, my oldest son, who is 14, will be eligible for the programs that will exist if H.R. 5017, the Youth Incentive Employment Act, is passed. With training and a job, maybe he will stay in school. I would like for him to finish, and be able to find a job and make a decent life for himself. I know all too well what will happen to him if he doesn't finish his education.

The program contained in H.R. 5017 can help him stay in school and set a good example for my youngest son. Maybe if there had been a program that would have provided year-round employment and training for me while I was of school age, I might have stayed in school, and with the skills I would have learned, I could have gone to trade school and learned a skill, or even went to college.

It is pretty late for me, but there is still time for programs like this to help keep children like my oldest son in school.

I urge this committee to pass these two bills for the future of our children, to keep them out of poverty and to give them the one thing many people like me, who are unemployed, don't have much left—hope. Thank you. [Applause.]

[Prepared statement of Linda Marie Graham follows:]

Prepared Statement of Linda Marie Graham, Single Parent, Chicago, IL

Congressman Hawkins, chairman of the committee, other members of the committee, and my Congressman Charles A. Hayes, good morning, and thank you for allowing me to present this testimony before this committee's hearing on unemployment, its effects, and the help that citizens might get from H.R. 5017, the Youth Incentive Employment Act, and H.R. 5814, the Income and Jobs Action Act of 1984.

My name is Linda Marie Graham, I am a resident of the First Congressional District of Illinois, residing at 8119 South Ingleside, 2nd floor. I am a single parent, raising two boys, ages 9 and 14. I have been unemployed for two years. I want to work! Even though I go out looking for employment, at least, 2 or 3 times a week, my search for employment has not been successful.

I attended high school here in Chicago, and dropped out of school in the 11th grade, when I was 17 years old. One year later I had my first child. I still do not have a high school diploma, or G.E.D., for a while I was able to work, either as temporary help, or doing low skill jobs. Most of the jobs that I have had, I lost because of layoffs or the "economy". My lack of skills has made it, virtually, impossible for me to compete in the tight job market. Presently, I am receiving aid for dependant children, through the Illinois Department of Public Aid. My family, the three of us, live on $302 a month that I receive from public aid, plus $172 in food stamps. My food stanps average out to around $2 per person, per day for our meals. I don't want to receive ADC, but for me it is a fact of life. My boys have to eat and I have to have a roof over our heads.

I hope that this committee will help see that H.R. 5814 passes into law, because it will have provide me with the training that I need to support myself and my two sons. Many of my friends are in the same boat that I am in. No jobs and nothing but ADC to look forward to. People, like me, who want to work, should be given an opportunity to work. I see alot of things in my neighborhood that need repairing. Like the streets and alleys. I would be willing to do construction and light rebuilding to earn a living, I am not too proud to get a little dirty doing honest work. I just want to work. And there are thousands of others, just like me, all over this city.

In two years, my oldest son who is 14, will be eligible for the programs that will exist if H.R. 5017, the Youth Incentive Employment Act, is passed. With training and a job, maybe he will stay in school. I would like for him to finish school and be able to find a good job, and make a decent life for himself. I know, all to well, what will happen to him if he doesn't finish his education. The programs contained in H.R. 5017 can help him stay in school, and set a good example for my younger son.

Maybe, if there had been a program that would have provided year-round employment and training for me, while I was of school age, I might have stayed in school. And with the skills I would have learned, I could have gone to trade school and learned a skill, or even went to college. It is pretty late for me, but there is still time for programs like this to help keep children, like my oldest son, in school.

I urge this committee to pass these two bills for the future of our children, to keep them out of poverty, and to give them the one thing that many people, like me, who are unemployed don't have much left, hope.

Thank you.

Mr. HAYES. Ms. Miles.

STATEMENT OF DENICE MILES, CODIRECTOR, SOUTH CHICAGO UNEMPLOYED ACTION CENTER

Ms. MILES. Distinguished Congressmen, I would like to extend my appreciation for the invitation to testify before this congressional hearing.

My name is Denice Miles, and I'm the codirector of the South Chicago Unemployed Action Center. Our center came into being following the devastating impact on the closing of United States and Wisconsin Steel mills on the South Side.

Proud men and women who produced steel and a healthy viable community, who had a real sense of worth and usefulness, are now without forewarning faced with the terrible reality of possibly permanent unemployment. Out of this devastation came the Wisconsin Steel Save Our Jobs Committee, headed by Frank Lumpkin who is here today, and the United States Steel Unemployed Committee.

These steel workers, along with the Jobs or Income Now Organization and Youth for Jobs or Income Now, founded our center to organize our community against this terrible plight. Our goal is to organize the unemployed, black, white, and Latino; young and old, male and female, in defense of our interest as unemployed working people. We define our interest as the right to a meaningful job at union wages and the right to a decent standard of living when there is no job to be found.

I am here to represent the unemployed of South Chicago, along with the delegation of Wisconsin Steel workers who can speak boldly for themselves. This is both a great honor and a tremendous task. South Chicago is the home of shut-down steel plants and thousands of unemployed. It is a community of working people who are now faced with a significant deterioration in their quality of life. It is not unusual to have the families of unemployed steel workers visit the center in need of help because they are threatened with eviction from homes that they've lived in for years, because they need food to put on their tables, because their gas or electric will be or has been cut off. For these working people, telephones and adequate health care are becoming luxuries that they can no longer afford.

Frank Lumpkin said in his report to the founding conference of the National Congress of Unemployed Organizations, and I quote: "When the unemployment compensation ran out, our people had to go on public aid, which they hated. But we found out we were no different from other people who were on welfare through no fault of their own."

Our experience at the center shows that this reality opens the door to great possibilities for severe social despair.

There's more to it than small businesses closing and the community decaying. There is a generation of young people who are threatened with never obtaining a stable job because those mills are closed. There is no future or any hope of a future for a young person without a job. What family can they look forward to building? What home can they look forward to buying? Where's the money to go on a date, when there is no job?

And I'd like to say that a community survey that we're doing indicates that many people in the community would support public takeover of these closed plants. I bring out these points because I want to make it perfectly clear why we support H.R. 5017, the Youth Incentive Employment Act, and H.R. 5814, the Income and Jobs Action Act. We are solidly convinced that H.R. 5017 is a step in the right direction.

We know that this bill offers an alternative to the subminimum wage plan of Ronald Reagan. Reagan's subminimum wage is a vicious plan against the youth of America. We think that Mayor Washington hits the nail on the head. The subminimum wage will hurt youth, especially black youth who already experience the hardships caused by the income gap between black and white families. Instead of considering the subminimum wage, we should be thinking about the need to double the minimum wage. This is required to have a decent income.

We are also solidly convinced that H.R. 5814 is a step in the right direction. We know that the Income and Jobs Action Act will help to reduce the waste of peoples' hard earned tax dollars on the excessive military budget. A reduction in the military budget is long overdue. The national budget is finite, yet the greed of the military budget seems to be infinite. We can no longer accept the notion that people can live in misery while the military budget is overfed.

H.R. 5814 recognizes that young adults who are first time job seekers overflow the ranks of the unemployed. Specific reference is made to the inclusion of first time job seekers as young workers who can help rebuild our cities and who are deserving of a decent income when, through no fault of their own, they are unable to find a job. We know that the introduction of these bills does not automatically mean their passage in Congress. The movement of the unemployed must organize, along with labor, youth, Afro-Americans, women, Latino peoples and all others on whose side we stand, to eject the enemy of working and unemployed people from the White House. This is the first condition, the first step required for passage of these bills. It is the masses of the unemployed who must be made to rise up through voter registration and education to fight for their interests in November.

It must be made known that the first step in building the massive movement required for the passage of these bills also requires that this movement realize its potential in November by defeating Ronald Reagan. [Applause.]

The economic recovery that is spoken of by Reagan is not felt in the homes of working people in South Chicago. A more accurate description would be that we are experiencing discovery. Discovery of the fact that Ronald Reagan would sacrifice our well-being and the well-being of our families to make the rich richer; discovery of the fact that the only protection against the trauma of social despair is to organize, to realize the great potential that exists when the unemployed unite: black, white, and Latino, in support of these bills and with labor, youth, and women, in defeat of Ronald Reagan. Discovery of the fact that these bills offer viable solutions to old problems that are getting worse.

To be humble is characteristic of working people. When one experiences the humbleness of these families, it becomes clear that cheese is not enough. As men and women who have worked to build this country out of wilderness, we deserve better. We know that we deserve better. We must act like we deserve better by doing all that is within our power to help realize the great possibilities that these bills provide.

We are also discovering that there are reasons why we are opposed. It seems so simple and so right that everyone would eagerly agree. Yet, reality reveals otherwise. Even though many claim to stand in our corner, as Ronald Reagan sometimes does, we see that a decent income when we cannot find a job becomes guaranteed income for those who are said to be unwilling to work; affirmative action becomes reverse discrimination; the right to a meaningful job at a decent wage becomes deficit spending; inflationary and economic inefficiency.

Our discovery has to include a realization of who represents our interests, regardless of race, and who would persist in our miseration. At this moment, it is clear that Reagan will escalate this misery and that a national campaign in support of these bills will help to bring us up out of the depths of social desperation.

We know that people want to work; we know that people want to provide adequately for their children; we know that youth want a bright future; we know that the means to ensure decent quality of life is within our grasp. We see that all that was thought true yesterday is not seen as being true today. Welfare is not a handout, and it is inadequate. Affirmative action is not reverse discrimination but protects all working people. Activity will get us what we need; passivity will not. A change in the direction of our Nation is what's required and these bills offer that.

I'd like to extend an invitation to all present to attend the national conference of the unemployed in Warren, OH, on August 18, and we would be pleased to have the distinguished Congressmen present as well. This conference will discuss the dual tasks of how we can build massive support for H.R. 5814, and defeat Reagan in November. Building this movement now will have a tremendous impact on 1987.

We have no doubts that we can build this movement. Though there are sharks in the water who want us to fail, we are confident that we can win. In fact, we know that it is our historic obligation to win. In order to proceed, we need support; all forms of support and cooperation. With this, not only can we prevail, but we can enhance what we have begun.

We wholeheartedly support these bills. We needed their enactment yesterday. We cannot tolerate failure; our very lives depend on it.

Thank you. [Applause.]

[Prepared statement of Denice Miles follows:]

Prepared Statement of Denice Miles, Co-Director, South Chicago Unemployed Action Center

I would like to extend my appreciation for the invitation to testify before this Congressional Hearing. My name is Denice Miles and I am the Co-Director of the South Chicago Unemployed Action Center. Our center came into being following the devastating impact of the closing of U.S. and Wisconsin Steel Mills on the South Side. Proud men and women who produced steel and a healthy viable community, who had a real sense of worth and usefulness, are now, without forewarning, faced with the terrible reality of possibly permanent unemployment. Out of this devastation came the Wisconsin Steel Save Our Jobs Committee, headed by Frank Lumpkin, who is here today, and the U.S. Steel Unemployed Committee. These steel workers, along with the Jobs or Income Now Organization and Youth for Jobs or Income Now, founded our center to organize our community against this terrible plight. Our goal is to organize the unemployed, Black, white, and Latino, young and old, male and female, in defense of our interest as unemployed working people. We define our interest as the right to a meaningful job at union wages, and the right to a decent standard of living when there is no job to be found.

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Frank Lumpkin, said in his report to the founding Conference of the National Congress of Unemployed Organizations, "when the unemployment compensation ran out, our people had to go on public aid, which they hated. But we found out we were no different from other poor people who were on welfare through no fault of their own". Our experience at the center shows that this reality opens the door to great possibilities or severe social despair.

The closing of the mills not only wrought havoc on the lives of the people who were working there. There's more to it than small businesses closing and community decay. There is a generation of young people who are threatened with never obtaining a stable job because those mills are closed. There is no future or any hope for a future for a young person without a job. What family can they look forward to building? What home can they look forward to buying? Where is the money to go on a date when there is no job?

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We whole heartedly support these bills. We needed their enactment yesterday. We cannot tolerate failure, our very lives depend on it.

Thank you.

Mr. HAYES. Congressman Hawkins.

Mr. HAWKINS. May I first of all congratulate the two witnesses on very excellent statements. I think you certainly point out the serious problem facing the unemployed.

Let me ask, first of all, Ms. Graham, about the situation that she confronted when she became unemployed. What type of help was provided to you—let us say specifically, by the Employment Service Office—would you kindly relate to us what places you sought and what help you received, if any, in terms of job services?

Ms. GRAHAM. I went for a cashier job. I went for a receptionist position. My last employment was with Blue Cross and Blue Shield. Anything that I may see in the——

Mr. HAWKINS. What if any, places did you go to? Did you go to the office of a business, to a plant, or to a——

Ms. GRAHAM. Yes, I did. I went to——

Mr. HAWKINS [continuing]. Public service agency of any kind?

Ms. GRAHAM. Yes, I went to CNA Insurance Co.; I've also went to the Job Service on 86th and——

Mr. HAWKINS. You went on your own or you were not referred?

Ms. GRAHAM. I went on my own; some were referred; basically, they were most on my own. I sought through the Tribune paper, if there was a position that I felt that I was qualified for; I would seek out those places.

Mr. HAWKINS. And none of these agencies was successful in referring you to a place that offered any hope of employment?

Ms. GRAHAM. No, no.

Mr. HAWKINS. After a period of time, I assume you gave up?

Ms. GRAHAM. I haven't given up; I'm still trying.

Mr. HAWKINS. You're still available for work and yet find it impossible to locate it on your own. Have you been given any public assistance of any kind to locate employment?

Ms. GRAHAM. Only what I receive monthly, $102 a month.

Mr. HAWKINS. Well, that's direct assistance?

Ms. GRAHAM. Right, but other than that, that's it.

Mr. HAWKINS. Well, may I ask the other witness Ms. Miles—I think it's Miles, is it not?

Ms. MILES. Yes.

Mr. HAWKINS. Ms. Miles, representing an organization of the unemployed, what assistance do you see being provided to the unemployed, is there any government agency that is assisting you, the statement is often made by the President and by others, that there are jobs available. Now, with that statement, one would assume that those who are unemployed are unemployed because they lack the characteristics, the skills or the motivation, et cetera, to get jobs.

What has been your experience in terms of those who'd say that there are jobs available, making available to you the means of finding those jobs that they say are actually available?

Ms. MILES. Well, our experience at the center would not substantiate those comments. We have steelworkers and others, who visit the center in need, who've worked for 10, 15, 20 years. The past experience proves that they're willing to work, the fact that they were employed for so long suggests that they are able to work.

The Wisconsin Steel Mill has been shut for 4 years and many of those workers who were employed there have still not found a job, and its absolutely true that many of these workers are faced with foreclosure, et cetera. So, I think that if there were jobs available, then the people who visit us in the center would eagerly seek them and would take them. I think that the fact that they've been unemployed for so long and the fact that unemployment compensation only lasts for 39 weeks, and you know, after that, there's the inadequate offering of public aid.

So I think that that example suggests that, in fact, they aren't the jobs that are said to be available, that they aren't actually available, and that there's really a need to consider other methods such as H.R. 5814. In one way or another, there is a need to reopen these mills.

In many instances, the youth who are unemployed know very well that the closing of these mills mean that they will not be able to find a job anywhere else. So I think that it's really important that measures be taken in the direction of reopening these mills, as well as other things to solve the problems.

Mr. HAWKINS. Well, are all of these people, I assume, registered at the Employment Service for jobs?

Ms. MILES. Well, when you are getting your unemployment compensation, it's required that you register each month. I think that discouraged workers and young workers who are first time job seekers are not necessarily registered at these unemployment offices and that suggests even more that the unemployment statistics, which are based on those reports, are lower than the actual unemployment is in the city and in the Nation.

Mr. HAWKINS. Well, I was referring basically to those who are skilled adults who've had the experience and who have lost their jobs because the plant closed up. They registered for the unemployment compensation. I assume, therefore, that the employment service, even before we talk about those who are entering the labor market for the first time, are finding it difficult to locate these individuals.

Now, if they can't be located, then it's pretty obvious that those entering the labor market for the first time will experience even greater difficulty, but the fact remains, would you say, that they're simply not enough jobs?

Ms. MILES. I would wholeheartedly agree. I think that the example of South Chicago, where unemployment is I think a statistic from 2 years ago, 3 years ago, even it said that unemployment in South Chicago was upwards of 35 percent. The national figure is suggested to be somewhere around [illegible] percent, and in South Chicago, it's upward of 35 percent. These people are not unemployed because they want to be unemployed. If there were jobs, we would seek those jobs, we would take those jobs. They're absolutely—and I think the steel workers are here—they can say for themselves that there are no jobs out there. If there were jobs out there, they would take those jobs to feed their families; they would not allow their homes to be taken away if there were jobs. They would not allow their children to go hungry if there were jobs. They would not allow their cars to be taken away if there were jobs.

So I think that the example of South Chicago shows that those who claim that there are jobs out there are exaggerating to say the least.

Mr. HAWKINS. Now, in 1980, we had the Comprehensive Employment and Training Act, known as CETA, to which these individuals might have received employment and training assistance.

That was discontinued by the Reagan administration, and in its place, we have today the Job Training Partnership Act. Do you know of any experience of any of those that you represent seeking any assistance, retraining or training as a result of the Job Training Partnership Act?

Ms. **Miles**. Well——

Mr. **Hawkins**. What has been your experience with this new program?

Ms. **Miles**. The Job Training and Partnership Act programs, our experience has shown, has been inadequate. It's much different than CETA and in many instances, CETA would provide at least for an 8-hour day for training and work experience with somewhat of a decent income. The Job Training Partnership Act significantly reduces the amount of hours that a person would be able to work and it reduces the income that the person would receive as a result of it.

The JTPA program by itself is significantly inadequate. The youth in 1984 are receiving less as a result of participation in the JTPA program than I received 5 or 10 years ago.

So I think that the Job Training Partnership Act is a step backwards from CETA. CETA, you know, offered significantly more than this program does, and in fact, is a step backward and not a step forward.

Mr. **Hawkins**. May I simply remind both of you and the other witnesses, while we are more or less discussing two bills today, the bill offered by Mr. Hayes, and H.R. 5017, the Youth Incentive Employment Act, that there are several other proposals that reach the situation that is best described by the two of you.

For example, H.R. 1036, the Community Renewal Employment Act, has already passed the House on September 21, 1983, and is now in the Senate, would provide jobs for adults as well as youth in community renewal projects. This is a proposal that has already passed the House, and is now pending before the Senate. I would simply remind all of you of the availability of these proposals provided they are passed by both Houses and signed by the President. H.R. 1036, for example, would provide a job for a person such as Ms. Graham. Unfortunately, the proposal is now lingering in the Senate. I think that indicates the magnitude of the job that's ahead of us. Again, I would like to commend the two witnesses for the very excellent testimony they have given.

I would like to assure Ms. Graham that she should not give up hope. There is a possibility that we can do something but it's going to take all of us to do it. And unfortunately, your Senator from Illinois, Mr. Percy, has seen fit to introduce a proposal to lower the minimum wage to a subminimum as his solution. The subminimum wage proposal is an ill-advised proposal. I would recommend that you suggest to him that he should get behind bills such as those that have been discussed today, rather than take us afield on a wild goose chase of a proposal that isn't going to get you anyplace and is merely introduced to divert attention away from the main issues of the day.

Again, I wish to commend the two of you.

Ms. **Miles**. Thank you very much. [Applause.]

Mr. **Hayes**. Ms. Graham, before thanking the both of you, I just want to—in reviewing your testimony, I must say that I commend you as you should express great concern about your two boys, I think, in terms of their having an education, an opportunity for an education, to be able to be employed in a meaningful way. And you say, though, which it sort of makes me a little bit concerned about your own outlook, you're a long ways, it appears to me, from being a recipient of the Social Security benefits and terms of age, and if there be Social Security when you reach that age, given the sense of direction we seem to be going in now, I have some question.

You say in your statement that it's pretty late for me. But there is still time for programs like this to keep children like my oldest son in school. Why do you feel it's late for you? If you were given an opportunity to go back to school and either a vocational level or either a school of higher learning, academically prepare yourself. Well, there's still time, I want to tell you.

Would you take advantage of that opportunity?

Ms. **Graham**. Yes, I would. The statement that was read was in the context of the Incentive Youth Employment Act, meaning that it was too late as a teenager of youth.

Mr. **Hayes** Oh, it's clear now. Thanks a lot. [Applause.]

We've just been joined by a Congressman of ours, who has been a champion in the rights of poor people in the area of education. He's a member of the Education and Labor Committee. I'd like to have him come forward as a witness to indicate his support for the legislation we've been discussing here today. And maybe give you some insight as to the specific approach to seeing to it that they are enacted into law.

Congressman Paul Simon.

STATEMENT OF HON. PAUL SIMON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. **Simon**. I thank you, very much, my colleague and friend, Charlie Hayes. And let me say to my friends here from Illinois that we are honored, as I'm sure Charlie Hayes has already told you, to have Gus Hawkins. I don't know how many of you remember the passage of the Humphrey-Hawkins Act; it was designed to see that we move ahead in jobs and someday we're going to implement it. And the coauthor of that bill was a fellow named Gus Hawkins from the State of California, and long after most of us in public life are forgotten, Gus Hawkins is going to be remembered as the person who pioneered the national commitment to this humanitarian gesture which is not just a gesture, but a way that makes sense for this Nation.

Let me, if I may, Mr. Chairman, we have two—you're chairing this hearing, I gather, my colleague Charlie Hayes, and Gus Hawkins very shortly will be formally elevated to the chairmanship of the Education and Labor Committee so Mr. Chairman, it's plural here.

I'm pleased to be here to join in support for the Youth Incentive Employment Act. We face a very similar situation in areas of urban poverty and areas of rural poverty. And that is, unemployment among youth, particularly minority youth is just going up.

The unemployment figure in July went up to 42 percent from 34 percent.

We have a problem of joblessness; we have a problem of spending an awful lot of money on welfare; we have a problem with crime. And the answer to those kind of problems, it seems to me, has to be two things: jobs, and educational opportunity. In my humble belief, and Gus Hawkins and Charlie Hayes have heard me talk about this before, the great division in our society is not between black and white, or Hispanic and Anglo, or even rich and poor. It's between people who have hope and people who've given up.

And the two things that really can give a spark of hope to people are having a chance for a decent meaningful job, and seeing that your kids have a chance for an educational opportunity that's better than the one you had yourself. And I think that our government ought to be moving in that direction.

Now, I note that my—I don't mean to make this a political event—but I note that the senior Senator from Illinois is going around the State saying that I want to spend billions of dollars putting people to work raking leaves. Well, I don't recall that I've ever said that I want to spend billions of dollars having people rake leaves. But I think there are a lot of things that need to be done in our society, and I think we face a choice, since we're not going to let people starve, or I hope we don't do that.

We face a choice of paying people for doing something or paying people for doing nothing. And it just makes an awful lot more sense to me to give people the chance to do something productive, and so I join the two of you in sponsoring this kind of legislation and I'm proud to do it, and I think the majority of people in this country want us to move in that direction.

And I think there are ways we can save money and maybe have a weapons system or two less. And save some money in other areas, and have a better society in the process. Anyway, I'm just here to underscore what other witnesses have said, to say we're honored and pleased to have you here, Chairman Hawkins, and too, and let me add my appreciation for the leadership of Charlie Hayes.

Way back when when my children were very young—they they're 23 and 20—they must have been about 3 and 6—we went to a meeting of the Packing House Workers, a luncheon meeting, and one of the songs we sang there was Charlie Hayes is our leader, we shall not be moved. And Charlie Hayes is still my leader and we're not going to be moved in our determination to see that every American has a chance for a job.

I'd be happy to answer any questions you may have, either one of you.

Mr. HAYES. I don't have any. Do you have any?

Mr. HAWKINS. May I simply say that one of the sad experiences that I face when I become chairman of the Education and Labor Committee will be to try to fill the void that you, Congressman Simon, will be leaving on the committee in the field of education. It's a very difficult task, I know, and it's almost an impossible task, but let me bring it closer to home.

I assume from what you've said that in contrast to the Senator whom you will be replacing, and I'm sure you will, in terms of——

Mr. SIMON. I like the question so far.

Mr. HAWKINS. In terms of wages, one of the difficulties that I've had as a sponsor of the Youth Incentive Entitlement Pilot project has been the introduction of a bill by the Senator from Illinois, Mr. Percy, to provide for a minimum wage. This is a very demeaning type of proposal. It is not designed to address the unemployment problem particularly of the black community. As I see it, the proposal is a disguised way of saying that there should be a separate black wage, a separate Hispanic wage, and a separate wage for women.

It seems to me that it's moving in the wrong direction. We should be moving toward upgrading jobs so that individuals will not be stagnant at dead-end, low-scale jobs. I would assume that you disagree with the administration's subminimum wage proposal and that you will attempt, through training and education programs, to upgrade minorities and women, so they can earn at least the minimum which itself is too low, and raise all of us to a higher level.

Am I correct in my assessment?

Mr. SIMON. You are always correct in your assessments. No, I couldn't agree more. If we were at a point where we were raising the minimum wage, then we shoud be taking a look at such a concept because we do have a problem when we raise the minimum wage—we have an increase of youth unemployment. At that point, we ought to be looking for options, but to come out of the blue as we are in this era of high unemployment, just doesn't make sense. On top of everything else, I'm advised that the Low Energy Income Assistance Act that helps people of limited income with their utility bills is being held up and is not being brought up in the Senate because the senior Senator from Illinois wants to put this particular amendment on that particular bill, and so it's a double disservice to senior citizens and others who need a little help with their heating bills, and it just comes at the most inopportune time.

And I think it's most unfortunate.

Mr. HAYES. Thank you.

Mr. SIMON. Let me, let me thank the two of you again and if we had more legislators in both the House and the Senate like Gus Hawkins and Charlie Hayes, let me tell you, this country would be—we'd be if I can use a phrase from down my end of the State, we'd be a country mile ahead of where we are right now.

Mr. HAWKINS. Well, we need the help in the Senate, too, don't forget.

Mr. SIMON. I hope to give it to you there.

Mr. HAYES. Thank you.

Mr. HAWKINS. Thank you. [Applause.]

Mr. HAYES. The House of Representatives' loss will be the U.S. Senate's gain, Paul Simon. The next panel will be Mr. Paul Giblin, legislative director, United Automobile Workers, and Mr. Humberto Salinas, president of the Association of Workers Rights. Mr. Giblin will lead off.

Mr. GIBLIN. Thank you, Congressman Hayes.

STATEMENT OF PAUL GIBLIN, LEGISLATIVE DIRECTOR, ILLINOIS UNITED AUTO WORKERS UNION

Mr. GIBLIN. My name is Paul Giblin, UAW legislative director in Illinois. It is a much desired opportunity to appear before this committee on H.R. 5017. I wish to express the thanks and appreciation of the members of UAW, and this community, to the members of this committee for taking the time, making the effort, and displaying the interest and concern in one of the most distressing problems facing this Nation, and especially all of the States here in the Midwest.

Unemployment is exceedingly high and is presently 8.3 percent in Illinois. The most severely affected and the rate of unemployment is highest among the young. The rate of unemployment of the young in the black and Hispanic communities approaches 55 percent. Think about it.

That is a staggering figure. Over 50 percent of the young with no chance——

Mr. HAYES. Mr. Giblin, can you wait just a minute. I just want to acknowledge—if I may—will you wait a minute, the presence in the hearing, I see he's leaving—of the alderman of the second ward here where we are holding our hearings here, Alderman Bobby Rush. I want to acknowledge his presence. Thanks for coming Alderman Rush. [Applause.]

Mr. GIBLIN. That is a staggering figure. Over 50 percent of the young, with no chance to share in this land of opportunity. This is not just a problem; it is a problem that is causing countless other problems. We all are aware of the reported increase in crime and vandalism but what of the other unreported increases in medical needs because of mental depression, and related illnesses.

Now, many beginning families are broken apart because of no income. Unemployment is the root cause. All of this is not just relegated to the inner cities, it is now a fact of life in the suburban areas, the collar counties and the rest of the great State of Illinois.

We in the labor unions that represent thousands of people are accutely aware of lost opportunity of jobs. In the State of Illinois, just in our area of representation, the UAW, there are still 30,000 of our members on layoff or the plants have closed completely. Firestone in Quincy, IL, Local 201, UAW, is gone forever and so are 750 jobs. International Harvester West Pullman Works, Chicago, Local 1307, UAW, in business for over 100 years, located in this community originally, gone forever, and so are 2,400 jobs here in this inner city.

I know as well that all those 30,000 jobs that are gone forever also mean total families that are in hardship, the loss of homes, the loss of cars, not being able to send your children to college, the loss of food for the table. This is a human tragedy.

We in our sector of involvement with the work force have seen no new opportunities in the last 4 years. It is more than clear to us that something must be done to try to reverse these conditions that have caused so much degradation, cost to the taxpayer and waste of our precious resource, the youth of this great Nation.

We, therefore, support H.R. 5017 and our studies show that it is indeed an incentive for youth employment and training.

Until that study is completed, UAW of course will not take a position on the total bill. We can, however, state that some goals that our union believes in appears to be in this legislation. It is with great pride that we state our position before Hon. Congressman Hawkins, the father of the concept of full employment.

First, we believe in full employment and we also believe it is the responsibility of Government to plan for full employment. The Humphrey-Hawkins bill passed some time ago stated that the Government would be the employer of last resort, which is another way of saying, the Government is responsible for full employment.

As I travel through this land, I remember things from my childhood and tie them together. When I was 6, 7, and 8 years of age, my father was on the WPA and my uncles were in the CCC. I'd like to give you an example of building this country, instead of no jobs and no opportunities.

Today, as I regularly vacation in Philips, WI, a very small sign, 2 feet by 2 feet, is erected along side of county road W. The sign states the CCC erected the dam that created the lake on whose banks of the town of Philips has grown. The population is about 6,000. Because that lake is there, there is also a papermill that employs 550 people on three shifts. It takes hundreds of loggers to supply the needed logs for the operation of the mill.

In addition, the lake has created a recreation area for fishing, canoeing, boating, et cetera, and all the needed resorts and businesses to support the desires of vacationers. I think it is very safe to say there are enough taxes paid to the Government in 1 day, today, to cover the entire cost of the construction by the CCC's in 1936. There are many other such examples across this Nation.

But those were programs of building, not just making work. Government planning and employment has made this Nation the greatest in the world. We should be proud of that and if H.R. 5814 creates the climate of discussion and produces a piece of legislation that lets our Government live up to its full potential, we of the UAW are ready to join in that discussion, and help.

Again, I would like to thank the committee for coming to this great State and city and also the opportunity to appear before you. Thank you. [Applause.]

[Prepared statement of Paul Giblin follows:]

PREPARED STATEMENT OF PAUL GIBLIN, UAW LEGISLATIVE DIRECTOR, ILLINOIS

The Honorable Mr. Hawkins, Chairman, the Honorable Mr. Charlie Hayes. My name is Paul Giblin, UAW Legislative Director in Illinois.

It is a much desired opportunity to appear before this Committee on HR 5017. I wish to express the thanks and appreciation of the members of the UAW and this community to the members of this committee for taking the time, making the effort, and displaying the interest and concern in one of the most distressing problems facing this Nation and especially all of the States here in the Mid-West.

Unemployment is exceedingly high and is presently 8.3% in Illinois. The most severely affected and the rate of unemployment is highest among the young. The rate of unemployment of young in the Black and Hispanic communities approaches 55%. Think about it. That is a staggering figure. Over 50% of the young with no chance to share in this land of opportunity. This is not just a problem, it is a problem that is causing countless other problems. We are all aware of the reported increased crime and vandalism but what of the other unreported increases in medical needs because of mental depression and related illnesses? Now many beginning families are broken apart because of no income.

This legislation in section 4 provides for study and review before qualifying for funds. Again, in section 6, the requirement exists to develop a meaningful incentive employment plan to be submitted before approval is granted to any plan. It appears to us that any claims that this program would be wasteful of taxpayers' money would be utterly false. Incorporated in this legislation is also the rejection of subminimum wage for the young. We salute you for your forthright position.

We of the UAW have been involved in representing people for many years. Because of this experience, we have learned long ago that an incentive is by far a stronger motivation than any other. The incentive in this instance is for gainful employment. It is a powerful weapon for instilling self-worth, pride, determination, and starting plans for a future that does not now exist; in short, it does in fact create a future for each individual involved. And that is a magnificent creation.

In addition, this legislation provides the training to develop skills and advance the educational opportunities so that those that are presently unemployable will never again experience the despair of a futureless tomorrow. By making training available and mandatory, you are making a statement to the neglected youth of the Nation. Education is No. 1, and we in Government do care.

As I said previously, the unemployment rate in Illinois is 8.3 percent. The rate has been so high that unemployment moneys paid out by the billions have bankrupted the unemployment fund in Illinois. We have borrowed over a billion dollars in each year for several years from the Federal Government. Only within the last few months did we reach a break-even point. That is the money taken by the unemployment compensation fund equaled the money paid out, which is still in the billions of dollars. With the recent increase in unemployment again we probably once again are in the red.

The obvious reason for bringing up the subject of unemployment is that it makes more sense to spend billions of dollars on job creation and training than it does to spend billions of dollars for being out of work. We obviously must take care of the unemployed, but it is also just as clear that we can do so in a positive sense.

We should look to the creation of jobs and training as is done here in H.R. 5017. We, of the UAW, applaud you for your initiative to help the youth of this great Nation. If we find any fault at all with this bill, it would be the cap that exists at 19 years of age. Those that were 19 years of age 3 years ago, and still do not have a job or a diploma, should also be helped at this late date. Since this was a need 3 years ago, and it is now, let us not pass these millions of young by because they are over 19.

We will conclude on H.R. 5017 by stating our whole-hearted support and our intention to help in the passage of it. The future of our Nation deserves no less.

If this committee would be so kind, I would also like to make a brief statement on H.R. 5814, which has been introduced by Hon. Mr. Charles Hayes and Hon. Mr. John Conyers. At the present time, we have referred this bill to our research department for study so that we can understand its full impact.

All of this is not just relegated to the inner cities. It is now a fact of life in the suburban areas the collar counties and the rest of this great State of Illinois.

We in the Labor Unions that represent thousands of people are alsc acutely aware of the lost opportunity for jobs. In the State of Illinois, just in our area of representation, there are still 30,000 of our members on lay-off or the plants have closed completely. Firestone in Quincy, Local 201, UAW is gone forever and so are 750 jobs. International Havester West Pullman Works, Chicago, Local 1307, UAW, in business of over 100 years, gone forever and so are 2400 jobs here in this inner city. I know as well that all those 30,000 jobs that are gone forever also mean total families that are in hardship. The loss of homes, the loss of cars and not being able to send their children to college. This is a human tragedy.

We in our sector of involement with the work force—have seen no new opportunities in the last four years. It is more than clear to us that something must be done to try to reverse these conditions that have caused so much degradation, cost to the taxpayer and waste of our most precious resource, the youth of this great Nation.

We therefore support HR 5017 and our studies show that it is indeed an incentive for Youth employment and training.

This legislation in Section 4 provides for study and review before qualifying for funds. Again in Section 6, the requirement exists to develop a meaningful incentive employment plan to be submitted before approval is granted to any plan. It appears to us that any claims that this program would be wasteful of taxpayers money would be utterly false. Incorporated in this legislation is also the rejection of Subminimum Wage for the young. We salute you for your forthright position.

We of the UAW have been involved in representing people for many years. Because of this experience we have learned long ago that an incentive is by far a stronger motivation than any other. The incentive in this instance is for gainful employment. It is a powerful weapon for instilling self worth, pride, determination and starting plans for a future that does not now exist. In short, it does in fact create a future for each individual involved.

In addition, this legislation provides the training to develop skills and advance the educational opportunities so that those that are presently unemployable will never again experience the despair of a futureless tomorrow. By making training available and mandatory you are making a statement to the neglected youth of the Nation, Education is number one and we in government do care.

As I said previouly, the unemployment rate in Illinois is 8.3%. The rate has been so high that the unemployment monies paid out by the billions have bankrupted the Unemployment Fund in illinois. We have borrowed over a billion dollars in each year for several years from the Federal Government only within the last few months, did we reach a break even point. That is, the money taken by the U.C. fund equaled the money paid out, which is still in the billions of dollars. With the recent increase in Unemployment in Illinois, we are probably once again in the red.

The obvious reason for bringing up the subject of unemployment, is that it makes far more sense to spend billions of dollars on job creation and training than it does to spend billions of dollars for being out of work. We obviously must take care of the unemployed but it also just as clear that we can do so in a positive sense. We should look to the creation of Job and Training as is done here in HR 5017.

We of the UAW applaud you for your initiative to help the youth of this great Nation. If we find any fault at all with this Bill it would be the CAP that exists at 19 years of age. Those that were 19 years of age three (3) years ago and still do not have a job or a diploma should also be helped at this late date. Since this was a need three years ago as it is now, let us not pass those millions of young by because they are over 19.

We will conclude on HR 5017 by stating our wholehearted support and our intentions to help in the passage of it. The future of our Nation deserves no less.

If this committee would be so kind, I would also like to make a brief statement on HR 5814 which has been introduced by the Honorable Mr. Charles Hayes and the Honorable Mr. John Conyers. At the present time we have referred this Bill to our Research Department for study so that we can understand its full impact. Until that study is completed the UAW of course will not take a position on the total Bill. We can however state some goals that our Union believes in that appears to be in this legislation. It is with great pride that we state our position before the Honorable Congressman Hawkins, the Father of the concept of Full Employment. First, we believe in full employment and we also believe it is the responsibility of government to plan for full employment. The Humphrey-Hawkins Bill passed some time ago stated that the government would be the employer of last resort, which is another way of saying the Government is responsible for Full Employment.

As I travel through this land I remember things from my childhood and I tie them together; when I was 6-7-8 years of age my father was on the WPA and my Uncle was in the CCC.

Today, I regularly vacation at Philips, Wisconsin and a very small sign—2' by 2' is erected along side of the Country Road "W." The sign states the CCC erected the Dam that created the Lake on whose banks the town of Phillips has grown. The population is about 6,000. Because that lake is there, there is also a paper mill that employees 550 people on three shifts. It takes hundreds of loggers to supply needed logs for the operation of the mill. In addition, the lake has created a recreation area for fishing, canoeing, boating etc., and all of the needed resorts and businesses to support the desires of vacationers. I think it is very safe to say, there are enough taxes paid to government in one day today, to cover the entire cost of the dam construction by the CCC's in 1936.

Government Planning and employment has made this Nation the greatest in the world. We should be proud of that and if HR 5814 creates the climate of discussion, and produces a piece of legislation that lets our government live up to its full potential, we of the UAW are ready to join in that discussion.

Again, I would like to thank this Committee for coming to this great State and City and also for the opportunity to appear before you.

Mr. **HAYES**. Mr. Salinas.

STATEMENT OF HUMBERTO SALINAS, PRESIDENT, ASSOCIATION OF WORKERS RIGHTS

Mr. **SALINAS**. Buenos dias, Quisecior que me perdoneu par que mi testimonis es Ingles para todor aqiellas pinsoro que no hablam Ingles.

My Congressman, good morning.

Good morning, I would like to welcome the House Subcommittee on Employment Opportunities and its chairman, the Honorable Augustus F. Hawkins, to Chicago, the city that is home to more than a half a million people of Latino heritage.

I'm president of the Association for Workers Rights which was founded in 1962. Our organization was born out of the need to provide jobs for the Latino community. I would like to include that I am an organizer with the International League of Workers Union, and also under national secretary for the National Congress of Unemployed Organizations.

And in our more than 20 years of struggles, we have dealt and fought against many issues, but we have had to deal primarily with the issue of discrimination in employment which, as you know, generally means no employment for Latinos and blacks—especially young Latinos and young blacks.

I am here today to express the wholehearted support of the Association for Workers Rights for H.R. 5017, the Youth Incentive Employment Act and H.R. 5814, the Income and Jobs Action Act of 1984.

Enactment of both is urgent. Without passage of both, there will be no jobs for anyone—and there certainly will be no jobs for our youth, be they Anglo, Latino, or Afro-American.

I am not a mind reader, I am not a futurologist. But I am an activist and read reports, Government reports, and the economic forecasts in the newspapers. And I know that there is no way out of the unemployment crisis unless we, and I respectfully submit unless the Congress, take the bold action that is needed to make a complete turn around in our Nation's priorities and the allocation of our Nation's resources.

Mr. Chairman, I call upon your subcommittee to give H.R. 5017 and H.R. 5814 a do pass recommendation.

Let us take these two pieces of legislation to the body politic. Let us run with them, let us capture the imagination and hearts of every American with a vision of the future where we can, in the words of the Founding Fathers, begin the pursuit of happiness instead of the pursuit of nonexistent jobs.

We are not here today asking for handouts—there's enough of that coming from the Pentagon these days, and from the tin horn dictators it supports around the world. Instead, we are here asking for fairness—for a fair shot at an opportunity to provide food, clothing, and shelter, as well as a decent education for our families and our children.

Mr. Chairman, honorable members of this subcommittee: We want; we need; we demand jobs!

As the sign at the foodline says, "Give us a job; we'll pay for the cheese." [Applause.]

It is a crime to force my kids, to force my younger brother and sister, to force an entire generation to live through this nightmare. For all of my rather short life, I have worked with children, with young adults, with the unemployed, with women who are sole supporters of families, and always, the cry is the same. Over and over, I have heard people saying, "Give me respect; let me be proud. Give me the right to earn a living in this land of ours."

The Latino community, not just here in Chicago, but all over everywhere, is growing faster than any other ethnic group in the Nation. And because of the overcrowded schools, the high dropout rate, and the lack of jobs, the ability of an entire generation to make its contribution, not only to the Latino community, but to the Nation as a whole, is threatened. We are proud that we come from families and traditions which have always respected the rights of others. We are proud of our energies and skills. It is part of our culture to earn our daily bread so that we can face our children as productive members of society.

We don't think that we are asking for much—and certainly we're not asking for too much—because, for generations, we have planted, cultivated, harvested and processed most of the food consumed by the people of our country.

Jobs, jobs, and more jobs. Empower every citizen with the ability to contribute his or her share to our Nation's wealth and well-being. Let there be no handouts, no cheese lines, no unemployment lines, and no welfare lines.

And most of all, let there be no headlines announcing the tragedy of a nuclear war. Thank you. [Applause.]

[Prepared statement of Humberto Salinas follows:]

PREPARED STATEMENT OF HUMBERTO SALINAS, PRESIDENT, ASSOCIATION FOR WORKERS RIGHTS

Good morning. I would like to welcome the House Sub-Committee on Employment Opportunities and its Chairman, the Honorable Augustus F. Hawkins, to Chicago, a city that is home to more than a half million people of Latino heritage.

The Association for Workers Rights was founded in 1962. Our organization was born out of the need to provide jobs for the Latino Community.

In our more than 20 years of struggle, we have dealt with and fought against many issues. But we have had to deal primarily with the issue of discrimination in employment which, as you know, generally means no employment for Latinos and Blacks—especially young Latinos and young Blacks.

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Enactment of both is urgent. Without passage of both, there will be no jobs for anyone—and there certainly will not be jobs for our youth, be they Anglo, Latino or Afro-American.

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Mr. Chairman: I call upon your Sub-Committee to give HR-5017 and HR-5814 "Do Pass" recommendations.

Let us take these two pieces of legislation to the body politic. Let us run with them * * * let us capture the imagination and hearts of every American with a vision of the future where we can, in the words of the Founding Fathers, begin "the pursuit of happiness" instead of the pursuit of non-existent jobs.

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For all of my rather short life I have worked with children, with young adults, with the unemployed, with women who are the sole support of families—and always, the cry is the same. Over and over I hear people saying: "Give me respect. Let me be proud. Give me the right to earn a living in this land of ours."

The Latino Community, not just here in Chicago but everywhere, is growing faster than any other ethnic group in the nation. And, because of overcrowded schools, the high dropout rate and the lack of jobs the ability of an entire generation to make its contribution, not only to the Latin community, but to the nation as a whole is threatened.

We are proud that we come from families and traditions which have always respected the rights of others. We are proud of our energies and skills. It is part of our culture to earn our daily bread so that we can face our children as productive members of society.

We don't think that we are asking for much—and certainly we are not asking for too much—because, for generations we have planted, cultivated, harvested and processed most of the food consumed by the people of our country.

Jobs! Jobs! And more jobs! Empower every citizen with the ability to contribute his or her share to our nation's wealth and well being.

Let there be no handouts, no cheese lines, no unemployment lines and no welfare lines!

And most of all, let there be no headlines announcing the tragedy of nuclear war!

Mr. HAYES. I want to say to both Mr. Salinas, president of the Association of Workers Rights, and Mr. Giblin, legislative director from United Automobile Workers, we certainly want to thank you for what has been very good testimony. I do hope Mr. Giblin of the UAW, researches 5814, they will find it a measure that they can support. [Applause.]

We're only out to try to do what we can to help people who we think need help. And I know given the kind of track record that UAW has, much of what is contained in that bill are things that you've supported in the past. And I don't think there will be any difficulty in coming to a favorable conclusion.

And to you, Mr. Salinas, I realize the Latino community is certainly an integral part of the total Chicago community. Sometimes, your purpose is misunderstood. There's such a scarcity of jobs. One of the dangers is that some of our own people are out of work. When I see our own people who are out of work—particularly minorities and black people—I feel that we should have more jobs programs for people in need. I'm just telling it like it is.

But I think there's enough in this society of ours, if we change our priorities, to provide work and meaningful employment for all of us. I want to thank you for support for the H.R. 5814 and H.R. 5017. Thank you very much, both of you. [Applause.]

We have a final witness today. I think it's only fitting that he be asked to come forward and present his statement into the record. If you would come forward now, Mr. Lumpkin, who's the chairperson of the Save Our Jobs Committee, from Wisconsin Steel Workers South Side. [Applause.]

Go right ahead.

STATEMENT OF FRANK LUMPKIN, CHAIRPERSON, SAVE OUR JOBS COMMITTEE, WISCONSIN STEEL WORKERS OF SOUTH CHICAGO

Mr. LUMPKIN. I want to say thank you to Mr. Hawkins and our own Congressman Hayes. I want to just say a few words about the Wisconsin Steel workers and I think here we have living proof that there must be a law, there must be a guaranteed law that would benefit the working people in this country.

We've found for the first time, that there was no such law in this place, when we went downtown after they closed up the class without even paying our money. I'm speaking on behalf of 3,500 Wisconsin Steel workers of South Chicago, who lost their jobs when International Harvester closed down its plant, 4 years and 4 months ago.

Now Wisconsin Steel workers find themselves a pauper in the land that they gave their all to build. You can imagine how people feel when they spend a lifetime paying for a home and then have the bank take it away from them. Subsequently, their unemployment compensation ran out and there were no jobs.

How could you make mortgage payments? Unemployment kills. Over 400 of the 2,800 workers, pavement workers, at Wisconsin Steel have died since that plant closed. How many would still be alive today if we H.R. 5814 and H.R. 5017 had been enacted into law?

They stopped our medical benefits after the plant closed. We need the Hayes Income Job Action Act because it would extend medical benefits. One Wisconsin Steel worker, whose wife had cancer, was forced to continue medical insurance. He had to keep his medical insurance; today that medical insurance has cost them over $8,000 a year. That is $2,000 more than his paycheck.

Any person willing and anxious to work should have the legal right to a job or enough income to support a family. That's why we ask Congress to pass H.R. 5814 to put this principle into law. We agree with Mayor Washington—$1 million program to be paid by

Federal funds. We are trying to save the Wisconsin Steel No. 6 mill because it would provide jobs.

It would help our whole community to pass the Hayes bill today. And today we really think the Congressman could come in here and we just hope that some way, that these Congressmen will look into the jobs bill and the rights of all workers, because at this point, the Federal Government is paying us a guaranteed paycheck and without any questions, a couple weeks ago, they cut by $100 without even giving me a reason for doing it.

They not only cut mine, but they cut all of us. We just hope that with a Congressman, like Mr. Hayes and Mr. Hawkins, that the workers will have some way of seeing to it that what is taken away from them must give the workers a reason for taking that money which they earn for 30 years in plant working.

Thank you very much. [Applause.]

[Prepared statement of Frank Lumpkin follows:]

PREPARED STATEMENT OF FRANK LUMPKIN, CHAIRPERSON, SAVE OUR JOBS COMMITTEE, WISCONSIN STEEL WORKERS OF SOUTH CHICAGO

We are living proof that there must be a law that guarantees working people the benefits we spend our whole life working for. I am speaking in behalf of the 3,500 Wisconsin Steelworkers of South Chicago who lost their jobs when International Harvester closed our plant down, 4 years and 4 months ago. Now Wisconsin Steelworkers find themselves paupers in this land they gave their all to build.

You can't imagine how people feel when we spend a life paying for a home and have to sit, and yes, cry if you please, while the Bank takes it away from you. But our unemployment compensation ran out, and there were no jobs. How could you make mortgage payments?

Unemployment kills! Over 400 of us have died since the plant closed. Many would still be alive if HR 5814 had been law.

They stopped our medical benefits after the plant closed. We need the Hayes Income and Jobs Action because it would extend medical benefits. One Wisconsin steelworkers whose wife had cancer was forced to continue medical insurance. It's gone up to $8,000 a year. That's $2,000 more than his pension!

Any person, willing and anxious to work, should have the legal right to a job or enough income to support a family. That's why we ask Congress to pass HR 5814 to put this principle into law. We agree with Mayor Washington's one million job program to be paid by federal funds. We are trying to save the Wisconsin Steel No. 6 mill because it could provide jobs. It would help our whole community to pass the Hayes Income and Job Action Act.

Mr. HAYES. Thank you very much. No, no questions. I would like to, before summation, yield to my colleague, Congressman Hawkins, and see if he has a final statement to make?

Mr. HAWKINS. Well, Mr. Hayes, I think the witnesses have stated the issues much better than I could possibly do so. I wish to commend all of them and to commend you for the leadership you're providing.

I think the day has been very constructive. Not only have we found criticism of things that are wrong, but we've also had, I think, excellent testimony of how conditions can be corrected. I think it's a very positive, upbeat mood that we have witnessed here today. I wish to personally thank you and the people of the city of Chicago for the courtesy you have extended to me and the staff that came out with the committee from Washington. Most of all, thank you for inviting us.

We will be very glad to come back at any time that we can be of any service. Thank you very very much. Mr. Hayes. [Applause.]

Mr. HAYES. In my concluding remarks, I would like to thank you, Congressman Hawkins, for having given an opportunity for the panelists who appeared here before our subcommittee, and to give me an opportunity personally to serve as chairperson of this hearing, and to those few people who are here who did not get a chance to testify, certainly your applause on occasion would indicate that you're supportive of the issues which have been discussed here.

Those of you who may have come here with prepared testimony, even though you didn't get an opportunity to testify, may I suggest you leave with us those prepared statements that you brought with you. This, in my opinion, is a good beginning. To begin to indicate at least that things are not as well as the pictures that are being painted by this administration, in terms of how well we're doing and recovery of our economy.

You have just witnessed the conduction of this hearing in the poorest congressional district in the whole State of Illinois, and it ranks high in terms of per capita income when it comes to poor being poor, in the whole United States.

About 92 percent of the First Congressional District are people who happen to be black and about 60 percent of them are unemployed youth.

I have concerns, you have concerns, the job is not going to be easy. I don't want to politicize this hearing; it's not my purpose. But I do want to be factual. We do—I don't want to—I kid you not. I know I hear from you in my office. "Can't you help me get a job." The mechanisms that we've talked about here even when I was a part of the parade of those of you participating on Saturday, right through the heart of this First Congressional District, where the estimates are that a million people witnessed that parade, the thing that I heard most was, "Man, can you help me find a job?"

I don't hold out much hope for any real movement on the part of this administration in terms of changing its sense of direction to help people who need help, like many of you. Hence, it becomes your and my responsibility to do all we can to change the composition of the executive branch of our Government, and yes, change the composition of the legislative branch of our Government, and elect people to office on November 6 who are going to be responsive to the needs of people.

That's what it amounts to, and I want to thank you for coming. We were operating within the framework of a 3-hour hearing, we are pretty much on time. I just want to say to the staff here in Chicago, and I want to acknowledge the yeoman work that have been done by the one who coordinated this effort to make preparation for this hearing from my staff was Sydney Ordower, with legal help from Harith Razaa.

They did the most to put this together. And I want to say to Congressman Hawkins that we welcome you to Chicago, and without your contribution, we could not have succeeded in accomplishing what I think we've accomplished here today. We've got a beginning here. Thank you very much for what you've done, and thank you good people for coming. [Applause.]

[Whereupon, at 12:16 p.m., the subcommittee hearing was adjourned.]

[Text of H.R. 5814 and additional materials submitted for the record follow:]

98TH CONGRESS
2D SESSION

H. R. 5814

To promote genuine and sustainable recovery and a full employment society by extending and fully implementing the Employment Act of 1946 and the Full Employment and Balanced Growth Act of 1978.

IN THE HOUSE OF REPRESENTATIVES

JUNE 11, 1984

Mr. HAYES (for himself and Mr. CONYERS) introduced the following bill; which was referred jointly to the Committees on Education and Labor, Armed Services, Government Operations, Banking, Finance and Urban Affairs, and Ways and Means

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A BILL

To promote genuine and sustainable recovery and a full employment society by extending and fully implementing the Employment Act of 1946 and the Full Employment and Balanced Growth Act of 1978.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as "The Income and Jobs Action Act of 1984".

THE RIGHT TO EARN A LIVING

SEC. 2. (a) Every adult American able and willing to earn a living through paid work has the right to a free choice among opportunities for useful, productive and fulfilling paid employment (part- or full-time) at decent wages or for self-employment.

(b) All Federal departments, agencies, and commissions shall plan and carry out their policies, programs, projects, and budgets in a manner that will contribute to establishing and maintaining conditions under which all adult Americans may freely exercise this right.

(c) Neither the Federal Reserve System nor any Federal department, agency, or commission may directly or indirectly promote recession, stagnation, or involuntary unemployment as a means of reducing wages and salaries or inflation.

THE RIGHT TO AN ADEQUATE STANDARD OF LIVING OF AMERICANS UNABLE TO WORK FOR PAY

SEC. 3. (a) Every adult American unable to work for pay has the right to an adequate standard of living that rises with increases in the wealth and productivity of the society.

(b) No adult American shall be judged unable to work merely because of the unavailability of suitable paid employment opportunities at a given time or place or because of the lack of previous employment.

(c) In the absence of such opportunities and until such opportunities can be provided under section 2, an adult American able and willing to work for pay shall be provided with whatever income is required to maintain a moderate level of living, as defined by the Bureau of Labor Statistics for an urban family of four.

CONVERSION PLANNING

SEC. 4. There is hereby established a fund in the Treasury to be known as the "Conversion Planning Fund" (in this Act referred to as the "Fund"). From any amount appropriated to the Secretary of Defense for each fiscal year beginning after September 30, 1984, one percent shall be deposited into the Fund. The purposes of the Fund shall be—

(1) to promote the conversion of economic production from military to civilian sectors;

(2) to promote the conversion of economic production from civilian sectors that are declining in production to civilian sectors that are increasing in production and that have a greater potential for offering useful and productive employment; and

(3) to assist in the implementation of the program and financial plan developed by the President under sections 5 and 6 of this Act.

(b) There is hereby established an office in the Executive Office of the President to be known as the "Conversion Planning Office". The duties of the Conversion Planning Office shall be to administer the Fund created in subsection (a) in order to carry out the purposes of the Fund as described in this Act.

LOCALLY BASED PLANNING

SEC. 5. (a) Within six months after the date of enactment of this Act and thereafter in each annual economic report and budget message, the President shall transmit to Congress a staged program to create conditions under which the rights set forth in sections 2 and 3 may be fully and freely enjoyed and to set forth how the Fund created by section 4 may be most productively used.

(b) Such program shall be designed to prevent or counterbalance undue concentration of Federal or corporate power by fostering recovery and full employment planning by—

(1) town, city, county, and State governments and their agencies in urban, suburban, and agricultural areas of the country; and

(2) small and large business enterprises; labor organizations and trade unions; the unemployed; nonprofit, voluntary, and cooperative organizations (including neighborhood, tenant and home owners' association and corporations); women; and racial and ethnic minorities.

(c) Such program shall be designed to promote conditions for more self-empowerment by people victimized by discrimination in hiring, training, wages, salaries, fringe benefits, or promotion on the basis of prejudice concerning race, ethnic background, gender, age, religion, political or sexual orientation, or personal disability.

(d) Such program shall include, but need not be limited to, general and specific policies and projects designed—

(1) to provide quick action through reductions in real and nominal interest rates, voluntary work-sharing arrangements, and a program of private and public works and services to use the abilities of the unemployed in repairing and improving the Nation's infrastructure of private industry, public facilities, human services, and natural resources,

(2) to provide improved Federal incentives for small and large business enterprises; labor organizations and trade unions; the unemployed; and non-profit, voluntary, and cooperative organizations (including neighborhood, tenant, and home owners' associations and corporations), with the receipt of any Federal incentives by larger corporations conditioned on their performance in living up to well-defined standards of corporate responsibility, including the obligation regularly to certify compliance with laws and regulations governing working conditions, labor relations, affirmative action, environmental protection, taxation, election contributions, and bribery at home or abroad;

(3) to provide for Federal grants to promote creative initiatives by local and State governments and their agencies in planning and budgeting for genuine recovery and a full employment society;

(4) to promote staged reductions in paid working time by reducing the average work week in manufacturing to no more than 35 hours without any corresponding loss in weekly wages:

(5) to vastly increase the opportunities for voluntary part-time employment with full fringe benefits;

(6) to take such other steps as may be needed to cope with the threat of increased unemployment caused by the increased use of technology;

(7) to provide for vastly improved education, training, and retraining of managers, technicians, the employed, and the unemployed;

(8) to prevent plant closings through all feasible means (including conversion to other forms of production and ownership) and provide standards (including measures such as appropriate advanced notice, termination payments, and extention of health benefits) for any corporation planning to close, substantially reduce, or relocate its operations;

(9) to promote conversion from military to civilian production; and

(10) to control inflation.

FINANCIAL PLAN

SEC. 6. (a) As part of the annual program developed by the President under section 5, the President shall transmit to Congress a short- and long-range financial plan to accomplish the purposes of this Act.

(b) Such plan shall include, but need not be limited to—

(1) reductions in the military budget;

(2) recommendations for increased revenues through the reduction or elimination of wasteful tax expenditures and other loopholes in the tax laws;

(3) reduction in interest payments on the Federal debt by reductions in both real and nominal interest rates and Federal deficits;

(4) recommendations for the appropriate use and direction of public and private pension funds; and

(5) the creation or promotion of private and public development banks, particularly in neighborhoods and other areas of high unemployment and poverty.

(c) Any outlays proposed under this section and section 5 shall be presented in terms not only of gross outlays but also of net outlays, computed with a full estimation of—

(1) outlay reductions resulting from fewer people receiving unemployment compensation, public assistance, and other transfer payments (without necessarily including reduced outlays resulting from improvements in public health and safety); and

(2) additional receipts from social security, income, and corporate taxes, as a result of higher employment and more long-term profitability by business enterprises, particularly small businesses.

Prepared Statement of Brenda Carmelita Green, Unemployed, Chicago, IL

Good morning, I would like to thank Congressman Charles Hayes for asking this committee to convene this hearing on House bill 5017, the Youth Incentive Employment Act and House bill 5814, the Income and Jobs Action Act of 1984, here in Chicago.

I am a resident of the First Congressional District of Illinois, residing at 8754 South Langley, here on Chicago's south side. I am 34 years old, a high school graduate, a certified inhalation therapist and presently unemployed. But to just say that I am presently unemployed will not give you the full picture. I have been unemployed since November of 1981, and recently, in June, I was cut from the General Assistance rolls.

I am sure that you are thinking, "Why, with a high school diploma, some college, a certificate as an inhalation therapist, and motivation, is she unemployed, presently and for the past 3 years?". I am also a black female ex-offender, who was paroled from the Dwight Correctional Facility after serving ten years and six months for killing my husband. My status, as an ex-offender and a black female, I share with many others in this city and across our nation. But it is secondary that I am a female, my story is duplicated by the many males who are also ex-offenders and in the ranks of the unemployed and, supposedly, "unemployable".

After I was paroled, I was in contact with the SAFER Foundation, an organization/program designed to help ex-offenders "mainstream" into society. Even with their help, what little it was, and the support of the staff of the Jesse Ma Houston center, I was only able to secure a position with the Golden Bear restaurant, as a server and cashier. When I was laid off from that position, I looked all over Chicago for employment. I went out, at least 2 or 3 times a week, searching all day for any type of work. I have, to date, not been successful. Every hospital I have checked for a position as an inhalation therapist, does not hire parolees.

I labored for two years to obtain my certificate, and had hoped to use it as a means to put the past behind me and get on with my life. The system teaches you, ex-con or not, that hard work and perseverance will overcome, virtually, all obstacles. But, how many doors can you have slammed in your face? How many opportunities must you be denied? How many times must you have your dignity and pride stripped? Unemployment and the hurts that it brings affect all of us. The frustration and feelings of hopelessness I had, are shared by the many unemployed steelworkers and smokestack industry workers who have lost their jobs, their homes, and in some cases their families and lives.

I hope that this committee will recommend full congressional support for House bill 5814. I don't want to continue to grovel in poverty, receiving $144 from the Illinois Department of Public Aid a month and continuously looking for work that doesn't exist. I don't want to be that "expendable" section of society that I keep reading about in the newspapers. I am skilled, just like many other American workers, and I want to work. Ex-offenders, male and female, are displaced and forgotten workers also. This bill will assist many of us in "mainstreaming" back into society. It is a small price to pay, when you really think about it. Many ex-offenders don't have the patience, education, or skill training that I have. This committee, the courts, the police, and countless victims of crime across this country can attest to some of the activities that they may be involved in now. I don't offer unemployment as the sole reason for recidivism among ex-offenders, but as a contributary cause. This bill, may by its very design and implementation, help that forgotten segment of society that some think is better locked away and forgotten.

Additionally, many of the young women I met during my 10½ years in prison were between the ages of 16–21. They were, like me from poor families, many are poorly educated, and unskilled. Most had been unemployed prior to their incarceration. If there had been programs like those called for in H.R. 5017 to provide meaningful training and skill-building to them, they might not be there. many did not have high school diplomas, having dropped out in 9th and 10th grades. The provision in this bill that would provide incentives to high school students to stay in school and get a good education, may go a long way towards reducing the "idle" time that allows "hands to do the Devil's work". I wish that I had been enrolled in some sort of skill training program at age 19 or 20, I might not be unemployed now. And although I really don't want to think about it, I might not have went to prison. Please pass H.R. 5017 and H.R. 5814, for those who cannot speak for themselves at this hearing. Please pass these bills for people, like me and thousands, no millions of others, who want desperately to work and be productive members of society. Please pass these bills for the young girls and boys who can, but don't have to end up in our prisons, penitentiaries, and correctional facilities or in the morgues. Thank you.

SAMUEL MEMORIAL COMMUNITY CHURCH,
Chicago, IL.

TO THE COMMITTEE: I am wholeheartedly in support of the passage of these employment bills, as it will give new hope to thousands of lost citizens, who have practically given up.

Working people are productive citizens, who pay taxes—instead of depending on being liabilities to our tax system. They have pride and stand as role models for the youths of our community.

Unemployed people cause many to end up in the dope scene, or in the penal institutions. It generally costs more to subsidize the above than to make jobs possible.

I am amused that funds are always available ($15,000 to $20,000 per person annually), while much less can be spent in making jobs for these people.

I was touched by the young man where I visited in prison who stated, "I would not be here if I'd been able to get any kind of a job."

I was also touched by a young man who had come to our jobs program at our church who stated, "You can have my first full check if you can get me a permanent job!" I explained that the church's job service was free.

There are many who are turned away from welfare, and who are totally lost. This jobs program would be the salvation to so many who have nowhere to turn.

It would give opportunity to all, which is what we are promised!

REV. MARION H. HALL.

[From the Christian Science Monitor]

GIVE CITY FAIR SHARE OF JOB DOLLARS

(By State Representative Barbara Flynn Currie)

Federal job dollars are in the news this week as Chicago charges the Thompson administration with shortchanging the city in its allocation of federal job funds.

I offered legislation in Springfield this session that would have helped to protect the city from state short shrift. The bill simply provided that the governor must use the same employment indices for local distribution that were used by the federal government to determine Illinois' overall share of federal job training monies in the first place. The bill was opposed by the Thompson administration and it failed, by a handful of votes, to pass the Illinois House.

It is true that most of the federal job training funds that come to the states must be passed directly on to local governments. States were not intended to make these major allocations on a discretionary basis. But a good deal of discretion—and the potential to upset federal priorities—creeps into the system if the states can fiddle with the formulas as they make their allocations.

Congress indeed wanted to help regions with high levels of unemployment through the job training program. But Congress also wanted to provide job training to specific populations with high unemployment rates—teenagers and minorities, for example. If the state allocation formula ignores unemployment figures among targeted groups, dollars will flow primarily along geographic lines to the exclusion of other training priorities. Congress didn't intend to short-shrift job help for black teenagers, among whom the unemployment rate is above 50 percent. It's a shame the Thompson allocation formula does.

My other measures to improve state distribution of federal job funds fared better in Springfield this year. House Bill 3031 requires public hearings at both the local and state levels before federal job dollars are spent, and incorporates the recommendations of the legislature's advisory committee on block grants. Those recommendations establish clear timetables for agency plans to spend federal block grant monies, and should increase the legislature's capacity to oversee state human service priorities. Public hearings will be a valuable tool for highlighting the use of job training dollars for those who are especially in need of job skills—older women, minorities, young people and the handicapped.

Another successful measure, House Resolution 823, should also improve services to targeted populations. The resolution calls upon the Department of Commerce and Community Affairs, the state agency that distributes federal job dollars, to create bonus systems to reward job training programs for hard-to-place groups. The present system, with a heavy emphasis on job statistics, actually encourages the spending of training dollars on people who could readily find work without extra help.

While surely job training programs must demonstrate that the skills they teach improve people's opportunities to find and keep jobs, it makes no sense to spend taxpayer dollars training people who don't need training. An inventive system can provide a useful balance in this state's job training program by encouraging groups with special needs.

At a conference last winter organized by the Women's Bureau of the federal Labor Department, we heard from Marta White, a member of the board that runs Chicago's job training partnership program. She told us federal funds to Chicago would be fewer under the new JTPA program than they had been in years past under older programs like CETA.

JTPA will do us some good. But Thompson's refusal to pass on even our fair share of depleted funds will make it tougher for this city.

PREPARED STATEMENT OF BABETTE U. PEYTON, PRESIDENT, SOUTH SHORE CHAMBER OF COMMERCE, CHICAGO, IL

Mr. Chairman, my Congressman, Mr. Hayes and other honorable members of the Subcommittee on Employment; distinguished guests, ladies and gentleman: I, Babette U. Peyton, president of the South Shore Chamber of Commerce and project designer and director for the "Young Entreprenuers of the Universe" program How to Make a Buck take this opportunity to thank you for allowing me to present testimony in support of H.R. 5017, short titled Youth Incentive Employment Act.

It was inspiring to review H.R. 5017 which states "to establish a program to provide part-time school year and full-time summer employment to economically disadvantaged youths who are pursuing further education or training leading to unsubsidized employment. H.R. 5017 is clearly needed. This summer, the South Shore Chamber of Commerce received salaries only for economically disadvantaged youth ages 14-21 and supervisors to launched an innovative program for work experience. However our program which is servicing over 200 people on a day to day basis this summer program that combines education, training and work experience focused on job creation and entreprenuership development toward the creation of wealth. The funding for this program are coming through MYET by authority of the JPTA.

The program itself is a mass adaptation from my upcoming book "How to make a buck." Our results so far have been astoundingly measureable. Our end of program documented summary will be made available to members of this committee for a comprehensive review of goals, objectives, strategies and positive terminations, to include actual ongoing residuals as a result of this program. The youth in the program as well as the adults and speakers we have had and continue to have seem to view our program as one of the best kept secrets toward helping someone to improve the quality of life regardless of whether they are employed or underemployed and certainly realizing that age, race, religion sex, creed, handicap or color should never be a cause to limit your dreams.

Thank you very much once again for allowing me to present testimony in behalf of the chamber of commerce. We hope that when this bill is passed and funding is approved you will consider our program as one of the model pilots. H.R. 5017 deserves all the support it can get and all our youth including the ones of that are here want to know how they can help to support this bill to ensure it's passage and therefore additional opportunities for growth and ensucess extended to them.

PREPARED STATEMENT OF HAROLD L. LUCAS, ADULT SUPERVISOR, MAYOR'S SUMMER YOUTH EMPLOYMENT AND TRAINING PROGRAM

Good day, Congressman Hayes and members of the Subcommittee on Employment Opportunities of the U.S. House of Representatives. My name is Harold L. Lucas. I am a community organizer and publicist involved and active in efforts to improve the quality of life in the near southside Lakefront communities of the 1st Congressional District.

I am currently employed as an adult supervisor with the mayor's summer youth employment and training program. I am working with young adults from the Robert Taylor homes and adjacent 3rd ward community implementing (the T.R.U.T.H. neighborhood redevelopment project, an innovative community economic development thrust designed to help eliminate minority poverty, economic depression and urban blight.

I am here accompanied by youth participants who are working on the project as community/economic development trainees, to speak in support of the Youth Incentive Employment Act (H.R. 5017). Although I have not read the legislative initiative authored by Rep. Augustus F. Hawkins and Senator Edward M. Kennedy, I have an intuitive feeling that the bill would increase support for the T.R.U.T.H. neighborhood redevelopment project which utilizes the talents and energy of low-income youth to promote neighborhood economic development. I also support H.R. 5814 Income and Jobs Action Act for the bills proposed assistance to unemployed and low-income people.

A recent study of 1980 census tract data, conducted by Roosevelt University urbanologist Pierre De Vise indicates that the poorest community in America is the mid-south portion of the Robert Taylor homes on State Street between 47th and 51st Streets. The 1980 census data shows that the per capita income for the 5,681 people living in the four block area is only $1,339 a year, the lowest of any area in the U.S.A.

This socio/economic reality exists based on long term political compromises that have maintained patronage abuses and prevented any comprehensive community development strategy from being implemented in near southside neighborhoods.

In 1984, to be experiencing depression era massive joblessness among black Chicagoans in the 1st Congressional District remains an issue of political and economic concern. From a historic perspective, at one point in the political evolution of the black community in Chicago, the 1st District Congressional seat was the highest elected office that our black political leadership could aspire to.

Today, black political leadership is now in place at all levels of city, state and national government. There can be no excuse for not implementing an aggressive neighborhood economic development plan in the 1st Congressional District. Sure we can blame the 50% unemployment among our youth on federal budget cuts perpetrated by the Reagan administration. Or we can continue to accuse Alderman Vrdolyak or Burke, or even Governor Thompson of obstructing progress when there exists a lack of adequate public service delivery in neighborhoods throughout the 1st Congressional District.

In my opinion, the honeymoon is over for Mayor Washington and Congressman Charles Hayes. Black Chicagoans have given Mayor Washington and 1st Congressional District Representative Charles Hayes a clear mandate—reform Chicago's governmental apparatus and create more job opportunities in black neighborhoods.

Black voters of the 1st Congressional District deserve an economic dividend, a return on our political investment. Clearly, if you study democratic votes cast in the 1983 mayoral campaign, you will find out that wards in the 1st District turned out an 85% plurality for Mayor Washington.

It is time to implement the mayor neighborhood development plan in the 1st Congressional District. Strong public/private joint venture projects must be established immediately, utilizing the Washington administration neighborhood development approach involving city departments and progressive community-based organizations. Bureaucrats in the departments of planning and economic development must implement special projects that deal with incentives for the creation of new business ventures and additional employment opportunities that benefit low-income residents in the north end of the 2nd ward, the entire 3rd ward and the northwestern section of the 4th ward.

These near Southside lakefront communities deserve special attention, due to long established patterns of urban blight, gentrification/displacement and systematic racial exploitation perpetrated on the low-income residents who live there. Furthermore, this area of the 1st Congressional District is the homebase and political turf of Mayor Washington. It is the community that will experience the greatest social and economic change over the next eight years as a consequence of the projected 1992 World's Fair at Burnham Harbor.

In conclusion, let me thank the Subcommittee on Employment Opportunities for the chance to voice what I consider to be a crucial economic concern affecting citizens of the 1st Congressional District. Before I conclude my statement, I would like to make two recommendations to Congressman Charles Hayes and Mayor Washington.

1. The T.R.U.T.H. neighborhood redevelopment project should be considered for year-round funding under the Job Training Partnership Act of 1983. The project is an innovative community development program that helps low-income and jobless young Chicagoans from Robert Taylor homes and the 3rd ward obtain the training and job experience they need in order to find permanent work, which will enable them to become productive citizens.

2. The congressional office of Charles Hayes supports and provides technical assistance for a scheduled T.R.U.T.H. all-day community development planning conference set for Friday, August 31st, 1984, at the Charles Hayes Center, 4825 S. Wabash.

Hopefully, Mayor Washington and Congressman Hayes will consider this conference, organized by youth participants employed by the mayor's summer youth employment and training program significant enough for our two most prominent elected officials to take an active role by participating in this vital community event.

Committee on Education and Labor

H.R. 5017

SUMMARY OF THE MAJOR PROVISIONS OF THE YOUTH INCENTIVE EMPLOYMENT ACT, H.R. 5017

A. *Purpose*—Provides employment opportunities to economically disadvantaged youth who agree to resume or maintain attendance in a secondary school or alternative education or training program in pursuit of a diploma or its equivalent.

B. *Authorization*—$2.0 Billion for FY 1985 and such sums thereafter (approximately 1 million youth would be served).

C. *Eligible Participants*—Youth 16 to 19 years of age from economically disadvantaged families who agree to:

(1) resume or maintain attendance in a secondary school or alternative education or training program in pursuit of a diploma or its equivalent;

(2) maintain attendance and performance standards in the education or training program and at the worksite.

D. *Eligible Activities*—

(1) Employment Opportunities offered by Public agencies, private non-profit organizations and private for-profit employers that are:

(a) part-time during the school year, not in excess of an average of 20 hours per week for each youth;

(b) full-time during the summer months, not in excess of 40 hours per week for each youth, and not to last less than 8 weeks with any worksite sponsor.

(2) Basic education services to eligible participants which may include alternative education and remediation.

E. *Eligible Entity*—Service Delivery Areas established under Section 101 of the Job Training Partnership Act:

(1) Funds are to be allocated directly to the Grant Recipient for the Service Delivery Area;

(2) The program is to be administered by the Administrative entity designated for the Service Delivery Area.

SECTION-BY-SECTION ANALYSIS

Section 1—Short Title

This section provides that the legislation may be cited as the "Youth Incentive Employment Act."

Section 2—Purpose

This section states that the purpose of this Act is to provide part-time employment during the school year and full-time employment during the summer months to eligible youth who agree to pursue further education and training.

Section 3—Eligible Youth

This section states that to be eligible, youth must be: between 16 and 19 years of age (inclusive) at the time of assignment to a worksite; economically disadvantaged; unemployed; and, a resident of the service delivery area of the administering entity. Youth who meet these criteria must also agree to maintain or resume attendance in secondary school or an alternate education program conducted by a local educational agency or community based organization for the purpose of obtaining a high school diploma or its equivalent, and must agree to equal or exceed attendance and performance standards in the education and training program and at the worksite. Remedial education programs which meet standards approved by the local educational agency and skill training programs approved by the administering entity can also be used.

Priority for selection is given to youth who are educationally at-risk; that is, those who have failed to complete satisfactorily one or more grades of school or who perform at least two full grades below their expected level on state and locally approved standardized tests. Youth who fail to comply with the performance standards for school and work shall be terminated from the program by the administering entity after an opportunity for a hearing and a finding of noncompliance.

Section 4—Qualifying Employment

This section states that programs which provide youths with part-time employment during the regular school year (not to exceed 20 hours per week), part-time employment during the months between regular school years combined with remediation, classroom instruction or on-the-job training or apprenticeship training, and full-time employment for at least 8 weeks during the months in between regular school year (not to exceed 40 hours per week) are programs which can be established or assisted with funds under this Act. These funds can be used to pay up to 100% of the wages and benefits including the costs of any employer-provided instruction and training of participating youth during the first 6 months of employment and up to 75% of the wages, benefits and cost of employer-provided instruction and training for youth during any succeeding months of participation in the program.

This section also states that funds may not be used to pay the wages or benefits of any individual for full-time employment during summer months with a for-profit organization unless it is a continuation of employment with that employer during the school year. Also, funds may not be used if the employer fails to develop or enforce attendance and performance standards consistent with the provisions of this Act.

Section 5—General Requirements for Receipt and Restrictions on use of Funds

This section specifies the criteria for obtaining funds under this Act by an administering entity. It must develop and submit to the Secretary of Labor a Youth Incentive Plan in accordance with the provisions of this Act as well as provide 20% matching funds, in cash or in-kind, from other Federal, state, local or private sources.

Not less than 70% of the funds shall be used for wages and benefits, child care, transportation and other supportive services, and worksite supervision, supplies and training aids. Not less than 15% of the funds shall be used for basic education services. Of this amount reserved for education, not more than 15% shall be used by education providers for supervision and administration.

Section 6—Youth Incentive Plan

This section outlines the requirements for the Youth Incentive Plan that must be submitted to the Secretary of Labor by an administering entity desirous of funds under this Act. The plan must specify procedures for selection and for assigning priority among eligible youth for participation in qualifying employment and the concommitant education and training programs. It must also ensure coordination with the Job Training Partnership Act, the Vocational and Technical Education Act and the Adult Education Act; describe arrangements made with local education agencies for the establishment and enforcement of performance and attendance standards in education programs for participants as well as for the development of flexible class schedules to permit student participation during the school year. The plan must also describe arrangements made with private non-profit employers (including community based organizations) for the establishment and enforcement of attendance and performance standards in alternative education programs offered by them and at the worksites. A description of specific outreach procedures and programs to ensure participation by eligible school dropouts as well as in-school youth, assurances that special efforts will be made to recruit youth from families on public assistance (including teenage parents), and a description of arrangements made with labor organizations to enable youth participation in apprenticeship must also be included.

This section also states that before any plan is submitted to the Secretary of Labor, it must have been approved by the appropriate chief elected official(s) for the area; been approved by the Private Industry Council in the service delivery area; been submitted for a 30-day review and comment period by the Governor; and been submitted to the State Job Training Coordinating Council established under a Job Training Partnership Act for comment and review. For approval, the plan must meet all requirements specified in this Act and must contain the comments of the State Job Training Coordinating Council and an explanation of why these recommendations may not have been incorporated in the proposed plan. The plan also must contain a statement that the Governor has reviewed it for consistency with his coordination and special services plan under JTPA, and must contain any comments of the Governor and an explanation of the extent to which such comments contain suggestions with which the plan does not conform and an explanation of the reasons for nonconformance.

This section also requires the Secretary for each of fiscal years 1985, 1986, and 1987 to select a representative sample of service delivery areas to include in their plans a school performance bonus system to reward students who show continued improvement in their academic performance. Bonus systems may include cash bonuses, additional hours that may be worked in qualifying employment (up to 20 hours per week), and assignment to preferred worksites.

Section 7—Basic Education Services

This section requires funds reserved for basic education services to be used for effective programs to improve the basic education skills of eligible youth participating in employment and training programs under this Act. Education programs may include alternative education services and remediation. The administering entity shall contract for education services with local education agencies, public or private nonprofit organizations if appropriate, including community-based organizations, or combinations of local education agencies and other public or private nonprofit organizations. The section states that applications for such contracts must contain whatever information the administering entity requires (according to guidelines established by the Secretary to assure sufficient uniformity to allow national evaluation), must be submitted to the State educational agency for review and comment before submission to the administering entity, and must be prepared with participation of parents, teachers and program administrators.

Education providers that enroll students participating in programs under this Act must assign an individual to supervise the recruitment of eligible participants, enforcement of attendance and performance standards, development of flexible class schedules, coordination between the education program and the worksite and administering entity, and counseling of youth participants. This section further requires that applications submitted to the administering entity for funds under this section must contain assurances that the agency submitting the application will be responsible for administration and supervision of programs assisted under this section, and that the agency will use funds to supplement otherwise available resources, and in no case, to supplant such resources.

Initial applications for funds, which may be updated and amended to apply for funds in future years, must describe the eligible agency and the programs to be conducted; assure that the proposed program contains reasonable promise of substantial progress toward improving the basic educational skills of low-achieving eligible students; describe procedures for subcontracting with private nonprofit organizations for alternative education programs, if such programs will best serve the needs of low-achieving youth; assure that the agency will cooperate with Federal evaluation efforts; and assure that the agency will monitor compliance with provisions of the Act.

Once a contract is agreed to, the section requires the administering entity to make payments as quickly as possible. However, no funds shall be awarded to an education program for more than two years unless there is improved performance of youths on approved tests of basic academic skills or unless there is a meaningful decrease in the dropout rate of students enrolled in programs under the Act.

Section 8—Special Conditions

This section delineates a variety of special conditions which must be met before the Secretary can provide financial assistance under this Act. Eligible applicants cannot use funds from this Act to provide public services which were previously or customarily provided by a political subdivision or local education agency in the Service Delivery Area. Also, this section states that allowable activities under this Act: should result in an overall increase in employment; must not displace currently unemployed workers; must not impair existing service contracts nor result in the substitution of federal funds for other funds; must not result in the substitution of jobs under this act for existing federally assisted jobs; must not employ a youth when another person in a similar job is on lay-off from the participating employer organization; must not cause an employed person to lose their job in order to create a vacancy for a participant in this program; must not disrupt the normal promotional line and must provide only entry level jobs to participants unless applicable personnel procedures and collective bargaining agreements have been complied with; must give labor organizations representing employees who are employed in work similar to that proposed by an employer applicant reasonable time to comment on the application, and; must provide appropriate counseling and placement services to participating youth.

This section also states that appropriate efforts will be made to ensure that only eligible youth participate. The Secretary can authorize the reallocation of funds if it is deemed that they cannot be used within a reasonable time period. Earnings received by participating youth must be disregarded when determining family eligibility for, and the amount of, any Federal or federally assisted programs. Finally, funds cannot be used to employ any youths who are found to have left school in order to participate in the program.

Section 9—Wage Provisions

This section sets forth the rate of pay under this Act. Youth will be paid no less than the higher of the minimum wage under section 6(a)(1) of the Fair Labor Standards Act, the state or local minimum wage for the equivalent work, or the prevailing rate of pay for similar work offered by the participating employer. If the administering entity enters into an agreement with the employer and a labor organization, youth may be paid the rate specified in the agreement for similar work. In the event of job reclassification, minimum wage standards will apply unless a labor organization representing employees affected by the reclassification, the employer and the administering entity agree otherwise. If no agreement is reached within 30 days, the Secretary of Labor shall establish the wage for the reclassification job.

This section also states that where there are disputes over new or reclassified jobs, the Secretary of Labor shall determine its status within 30 days of receipt of a notice of protest from a labor organization representing affected employees. For Federal Davis-Bacon construction projects under $5,000, the Secretary of Labor shall prescribe wage rates for youth between and including the minimum wage and the entering wage of an apprentice in the most nearly comparable apprenticeable occupation, and will prescribe the appropriate ratio of journeymen to participating youth.

Section 10—Authorization and Allocation

This section authorizes $2 billion for FY 1985 and such sums thereafter for this Act of the total, one-half of 1% will be reserved by the Secretary for program evaluation. The remainder will be allocated among the administering entities by the following [illegible] to [illegible] an [illegible] of the [illegible] on [illegible] the relative number of economically advantaged youth residing in the area; ⅓ on the basis of the relative number of unemployed in the area; and, ⅓ on the basis of the relative number of unemployed in the area in excess of a 6.5% unemployment rate. Of the amount reserved for program evaluation, the Secretary shall use 60% for general evaluation of programs under this Act, and 40% for an in-depth study, conducted by the National Institute of Education, of activities and programs designed to serve dropout youth under this Act.

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Section 11—Payments and Expenditures

This section states that all amounts allocated to an administering entity under section 9 shall be paid to the grant recipient for that area, and it defines the start-up date for the program year as July 1. Appropriations for FY 1985 fund activities between October 1, 1984 and July 1, 1985, and the program year from July 1, 1985 to June 30, 1986.

Section 12—Administration and Enforcement Provisions

This section identifies the provisions of the Job Training Partnership Act that will apply to this Act.

Section 13—Reports

This section requires the administering entities to submit quarterly reports to the Secretary of Labor on projects authorized by this Act. The reports will include: characteristics of participants; costs of employment; improvement in school attendance; number of youth participants relative to total eligible population; job and employer characteristics; and, relative use of on-the-job training and apprenticeship training in jobs funded by the Act.

Section 14—Definitions

This section defines the terms used in the Act.

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